Husky Energy Inc.

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Second Quarter Report & News Release

FOR THE SIX MONTHS ENDED JUNE 30

Husky Energy Inc. is a publicly traded integrated energy and energy-related company that trades on The Toronto Stock Exchange under the symbol HSE.

TO OUR SHAREHOLDERS

Husky Energy Inc. ("the Company") announces that its 2001 second quarter earnings were $254 million ($0.60 per common share), an increase of 4.6 times over second quarter 2000 earnings of $55 million. Cash flow from operations in the second quarter of 2001 increased 2.6 times to $561 million ($1.33 per common share) from $219 million in the second quarter of 2000. Sales and operating revenue of $1.7 billion in the second quarter of 2001 increased 71% over second quarter 2000 levels. Daily production of light, medium and heavy oil and natural gas averaged 264 mboe/day during the second quarter of 2001, up 2.1 times over the same period in 2000.

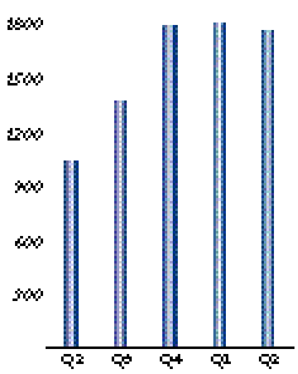
"The strong financial performance is mainly attributable to increased production volumes and strong commodity prices in our upstream business, and, to the increased contribution of our midstream and refined products operations. The midstream infrastructure including the Husky Lloydminster Upgrader, the pipeline business and the refined products operations have generated cash flow and earnings at record levels" said John C.S. Lau, President and Chief Executive Officer. *"The strategy of owning an integrated suite of assets, and focussing on earnings has contributed to the record results of the Company".*

Husky earnings for the first half of 2001 were $496 million, a 5.3 times increase over the comparable period in 2000. Cash flow from operations increased to $1.2 billion during the first half of 2001, up from $410 million for the first half of 2000.

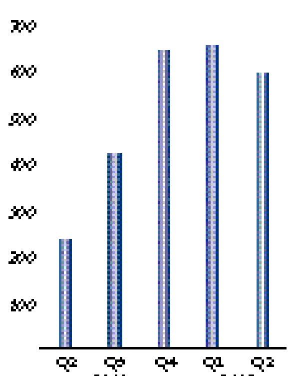
HIGHLIGHTS

	Three months ended June 30			Six months ended June 30		
(Millions of dollars, except per share amounts)	**2001**	2000	Change	**2001**	2000	Change
Sales and operating revenues, net of royalties	**$ 1,738**	$ 1,018	⇑ 71%	**$ 3,526**	$ 1,969	⇑ 79%
EBITDA	**589**	231	⇑ 155%	**1,235**	449	⇑ 175%
Cash flow from operations	**561**	219	⇑ 156%	**1,181**	410	⇑ 188%
Per share – Basic and diluted	**1.33**	0.78	⇑ 71%	**2.80**	1.46	⇑ 92%
Net Earnings	**254**	55	⇑ 362%	**496**	94	⇑ 428%
Per share – Basic and diluted	**0.60**	0.19	⇑ 216%	**1.17**	0.32	⇑ 266%
Production						
Light/Medium Crude Oil & NGL's (mbbls/day)	**108.6**	34.7	213%	**112.0**	34.7	223%
Heavy Oil (mbbls/day)	**60.3**	52.0	16%	**58.6**	51.0	15%
Gas (mmcf/day)	**570.8**	224.1	155%	**577.4**	240.4	140%
mboe/day (6:1)	**264.0**	124.1	113%	**266.8**	125.8	112%

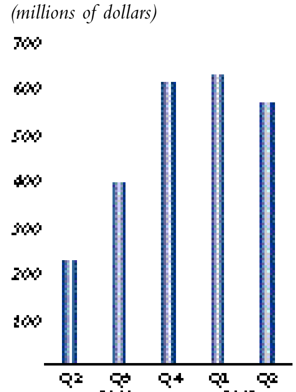
REVENUE
(millions of dollars)



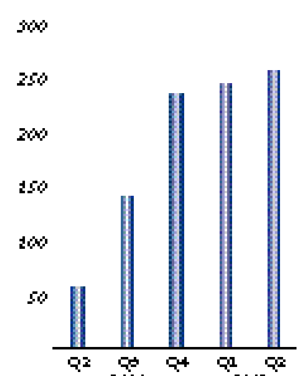
EBITDA
(millions of dollars)



CASH FLOW FROM OPERATIONS
(millions of dollars)



EARNINGS
(millions of dollars)



CORPORATE

- In April, Husky acquired Titanium Oil & Gas Ltd.("Titanium"). Titanium's main properties, which are in the Edam and Lashburn heavy oil areas of Saskatchewan were integrated into the Lloydminster Heavy Oil and Gas business unit.
- In July, Husky acquired Avid Oil & Gas Ltd. ("Avid"). Avid's operations are in the Provost region, West Central and the Peace River Arch of Alberta. Key properties include Thompson Lake, Pine Creek, Edson, Bigoray, Gordondale, Fourth and Hines Creek.
- During the quarter, Husky continued with its program of divestitures of non core assets. These divestitures together with the acquisitions are part of Husky Energy's strategy of exploiting and growing its asset base through synergistic acquisition opportunities and divestitures of non core properties.
- Capital expenditures in the second quarter of 2001 amounted to $300 million and were funded with cash flow from operations.
- Husky continued to reduce debt. At June 30, 2001 outstanding long-term debt (net of amounts due within 12 months) was $1,916 million.

UPSTREAM

Production

- Second quarter 2001 production was 264 mboe/day compared with 124 mboe/day in the second quarter of 2000.

Exploration

- Drilling in the Foothills resumed in June following spring break-up with the drilling of wells at Cordel, Wildhorse and Federal. The McLean Creek exploratory well was tested during the second quarter and is expected to be capable of producing up to 10 mmcf/d (gross). Tie-in of the well is ongoing. Husky has a 43.5% working interest in the well.
- Second quarter Eastern Canada exploration activity included seismic acquisition in the South Whale basin, and site surveys over potential 2002 exploration drilling locations.
- In July, Husky entered into a participation agreement with the China National Offshore Oil Corporation ("CNOOC") in respect of the Wenchang 39-5 exploration block in China. Husky has undertaken to drill three exploratory wells over a seven year period.

Major Project Update

Terra Nova: With the sailaway of the Floating Production Storage and Offloading Vessel ("FPSO") on July 16, construction of the FPSO is now complete. Sea trials, commissioning and field installation will continue through the third quarter with production expected to commence in the fourth quarter.

White Rose: Following the acceptance by federal environmental regulatory authorities of Husky's Comprehensive Study Report the public hearings in respect of the Development Application began in St. John's on July 11. Husky anticipates that the regulatory authorities and government officials will make a decision on the application during the third/fourth quarter of 2001. Husky and its partner expect to make a decision on project go ahead by the end of the year.

Wenchang: Development work continues on track for Wenchang with completion of development drilling in late May and launching of the FPSO hull on June 18. The integration of topsides with the FPSO hull and the wellhead platform installation are expected to be completed during the second half of 2001. First oil is anticipated in the first half of 2002.

MIDSTREAM

- During the second quarter, feedstock throughput at the Husky Lloydminster Upgrader averaged 75.5 mbbls per day with synthetic crude oil sales averaging 65.6 mbbls per day. Throughput volumes exceeded those of the second quarter of last year by 33%. The decline in natural gas costs in the second quarter contributed to a reduction in operating costs compared to the first quarter 2001.
- The Husky Lloydminster Upgrader has recorded over 2.5 million person hours without a lost time accident.
- The Infrastructure and Marketing group achieved a 17% increase in pipeline volumes in the second quarter 2001 over the second quarter 2000 which was primarily attributable to debottlenecking activities and capital expenditures.
- Husky acquired a 50% interest in the Rainbow Cogeneration plant which has capacity of 46 MW. Expansion to 90 MW is anticipated during the first quarter of 2002.
- Second quarter oil trading and gas trading activities were increased by approximately 30% and 50% respectively than for the same period in 2000. This performance is attributable to higher volumes achieved and increased marketing and storage activities.

REFINED PRODUCTS

- Asphalt volumes and margins in the second quarter of 2001 were up from those for the second quarter 2000. The higher margins were primarily attributable to lower feedstock costs and increased demand.
- Light oil fuel sales from the Company's retail outlets increased 1.2% during the first half along with increased income from restaurant and convenience store operations.
- Refined products EBITDA for the second quarter of 2001 was $51 million compared to $19 millon for the second quarter of 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis should be read in conjunction with the unaudited consolidated financial statements of the Company for the six months ended June 30, 2001 and the audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2000. All dollar figures are in millions of Canadian dollars, except per share amounts unless otherwise indicated.

FIRST QUARTER 2001 VS SECOND QUARTER 2001

	Three months ended		Six months ended
	March 31	**June 30**	**June 30**
Sales and operating revenue	$ 1,788	**$ 1,738**	**$ 3,526**
EBITDA	646	**589**	**1,235**
Cash flow from operations	620	**561**	**1,181**
Per share – Basic & diluted	1.47	**1.33**	**2.80**
Net earnings	242	**254**	**496**
Per share – Basic & diluted	0.57	**0.60**	**1.17**

Second quarter net earnings of $254 million ($0.60 per share – basic & diluted) were 5% higher than the $242 million ($0.57 per share – basic & diluted) reported for the first quarter of 2001. Improved second quarter earnings resulted from stronger margins from both light oil refined products and asphalt products, higher throughput and lower energy-related operating costs at the Husky Lloydminster Upgrader and lower future taxes as a result of a reduction to the Alberta corporate tax rate which increased second quarter 2001 earnings by $42 million. These positive factors were partially offset by lower upstream earnings resulting primarily from lower natural gas prices.

INDUSTRY CONDITIONS

		Three months ended June 30		Six months ended June 30	
Benchmark Prices		**2001**	2000	**2001**	2000
West Texas Intermediate	U.S. $/bbl	**$ 27.96**	$ 28.63	**$ 28.34**	$ 28.68
NYMEX natural gas	U.S. $/mmbtu	**$ 4.78**	$ 3.43	**$ 6.03**	$ 2.96
AECO natural gas	$/GJ	**$ 6.85**	$ 4.01	**$ 8.59**	$ 3.50

The price for West Texas Intermediate fluctuated during the second quarter of 2001, between U.S. $25.50/bbl and U.S. $30.00/bbl and ended the quarter at U.S. $26.23/bbl.

Nymex near-month price for natural gas fell during the second quarter of 2001 from U.S. $5.10/mmbtu at the beginning of April to U.S. $3.10/mmbtu at the end of June 2001.

The Company's management believe that commodity prices are likely to remain volatile and uncertain over the short term.

RESULTS OF OPERATIONS

Upstream

Revenue and Production

Husky's total revenues from upstream operations (before royalties and hedging) increased $387 million (118%) from $328 million in the second quarter of 2000 to $715 million in the second quarter of 2001. Total revenues from upstream operations increased $931 million (146%), from $639 million in the first six months of 2000 to $1,570 million in the first six months of 2001.

UPSTREAM EARNINGS SUMMARY

	Three months ended June 30		Six months ended June 30	
	2001	2000	**2001**	2000
Gross revenue	**$ 715**	$ 328	**$ 1,570**	$ 639
Royalties	**130**	46	**306**	90
Hedging	**–**	33	**–**	70
Net revenue	**585**	249	**1,264**	479
Costs and expenses	**162**	62	**299**	119
EBITDA	**423**	187	**965**	360
DD&A	**176**	63	**350**	128
Operating profit (EBIT)	**$ 247**	$ 124	**$ 615**	$ 232

NET REVENUE VARIANCE ANALYSIS

	Light & medium crude oil & NGL's	Lloydminster heavy oil	Natural gas	Other	Total
Three months ended June 30, 2000	$ 82	$ 104	$ 55	$ 8	$ 249
Price changes	(93)	(72)	169	–	4
Volume changes	262	22	104	(5)	383
Royalties	(26)	6	(65)	–	(85)
Hedging	12	21	–	–	33
Processing	–	–	–	1	1
Three months ended June 30, 2001	**$ 237**	**$ 81**	**$ 263**	**$ 4**	**$ 585**
Six months ended June 30, 2000	$ 162	$ 200	$ 105	$ 12	$ 479
Price changes	(190)	(148)	509	–	171
Volume changes	542	38	179	(4)	755
Royalties	(57)	10	(170)	–	(217)
Hedging	24	46	–	–	70
Processing	–	–	–	6	6
Six months ended June 30, 2001	**$ 481**	**$ 146**	**$ 623**	**$ 14**	**$ 1,264**

AVERAGE PRICES

		Three months ended June 30		Six months ended June 30	
		2001	2000	**2001**	2000
Light/medium crude oil & NGL's	($/bbl)	**$ 28.86**	$ 36.91	**$ 28.79**	$ 36.75
Hedging		**–**	3.50	**–**	3.77
Light/medium & NGL price realized		**$ 28.86**	$ 33.41	**$ 28.79**	$ 32.98
Lloydminster heavy crude oil	($/bbl)	**$ 15.52**	$ 28.71	**$ 14.69**	$ 28.67
Hedging		**–**	4.57	**–**	4.99
Lloydminster heavy crude price realized		**$ 15.52**	$ 24.14	**$ 14.69**	$ 23.68
Natural gas price realized	($/mcf)	**$ 6.57**	$ 3.37	**$ 7.82**	$ 2.95

GROSS DAILY PRODUCTION

		Three months ended June 30		Six months ended June 30	
		2001	2000	**2001**	2000
Light/medium crude oil & NGL's	(mbbls/day)	**108.6**	34.7	**112.0**	34.7
Lloydminster heavy crude oil	(mbbls/day)	**60.3**	52.0	**58.6**	51.0
Natural gas	(mmcf/day)	**570.8**	224.1	**577.4**	240.4
Barrels of oil equivalent	(mboe/day)	**264.0**	124.1	**266.8**	125.8

The increase in upstream revenues for the second quarter of 2001 compared with the second quarter of 2000 was primarily due to higher production of crude oil and natural gas mainly associated with the inclusion of acquired properties, as well as higher prices for natural gas. These positive factors were partially offset by lower crude oil prices. Realized heavy crude oil prices were approximately 36% lower during the second quarter of 2001 compared to the same period in 2000. Husky's average realized price for light and medium crude oil and NGL's in the second quarter of 2001 was lower compared with the same period in 2000, in part, because of the inclusion of the acquired properties which on average, produce a heavier grade of crude oil. The increase in upstream revenues for the first six months of 2001 as compared with the same period in 2000 was primarily the result of the same factors.

Netbacks and Operating Costs

LIGHT/MEDIUM CRUDE OIL NETBACKS (1)

	Three months ended June 30		Six months ended June 30	
Per boe	**2001**	2000	**2001**	2000
Sales revenue	**$ 29.51**	$ 36.68	**$ 29.57**	$ 36.23
Royalties	**4.69**	5.74	**4.85**	6.28
Hedging	**–**	3.50	**–**	3.77
Operating costs	**7.81**	4.89	**7.23**	4.76
Netback	**$ 17.01**	$ 22.55	**$ 17.49**	$ 21.42

LLOYDMINSTER HEAVY CRUDE OIL NETBACKS (1)

	Three months ended June 30		Six months ended June 30	
Per boe	**2001**	2000	**2001**	2000
Sales revenue	**$ 15.73**	$ 28.65	**$ 15.02**	$ 28.63
Royalties	**1.06**	2.24	**0.96**	2.15
Hedging	**–**	4.57	**–**	4.99
Operating costs	**8.59**	6.36	**8.58**	6.38
Netback	**$ 6.08**	$ 15.48	**$ 5.48**	$ 15.11

NATURAL GAS NETBACKS (2)

	Three months ended June 30		Six months ended June 30	
Per mcfe	**2001**	2000	**2001**	2000
Sales revenue	**$ 6.42**	$ 3.68	**$ 7.61**	$ 3.26
Royalties	**1.53**	0.84	**1.88**	0.72
Operating costs	**0.61**	0.67	**0.54**	0.59
Netback	**$ 4.28**	$ 2.17	**$ 5.19**	$ 1.95

TOTAL UPSTREAM NETBACKS (1)

	Three months ended June 30		Six months ended June 30	
Per boe	**2001**	2000	**2001**	2000
Sales revenue	**$ 29.59**	$ 28.63	**$ 32.21**	$ 27.54
Royalties	**5.46**	4.05	**6.34**	3.92
Hedging	**–**	2.89	**–**	3.06
Operating costs	**6.51**	5.25	**6.07**	5.04
Netback	**$ 17.62**	$ 16.44	**$ 19.80**	$ 15.52

(1) Includes associated co-products converted to boe's.

(2) Includes associated co-products converted to mcfe's.

Husky's total upstream operating costs increased $100 million (161%), from $62 million during the second quarter of 2000 to $162 million during the second quarter of 2001. Higher operating costs in 2001 were primarily due to the inclusion of properties acquired in 2000. Total upstream average operating costs per unit were $6.51/boe during the second quarter of 2001 compared with $5.25/boe during the same period in 2000. Higher unit operating costs in the second quarter of 2001 were primarily attributable to higher energy related operating costs and to a higher proportion of shallow natural gas and mature waterflood operations associated with the properties acquired in 2000. The increase in upstream operating costs for the first six months of 2001 as compared with the same period in 2000 was primarily the result of the same factors.

Depletion, Depreciation and Amortization

Upstream depletion, depreciation and amortization ("DD&A") increased by $113 million from $63 million in the second quarter of 2000 to $176 million in the second quarter of 2001. Total upstream DD&A per unit was $7.33/boe during the second quarter of 2001 compared with $5.58/boe during the same period in 2000. DD&A per boe in the second quarter of 2001 was higher than that for the same period in 2000 due to the properties acquired in 2000.

Midstream

Husky's total EBITDA from midstream operations increased $102 million (291%), from $35 million in the second quarter of 2000 to $137 million in the second quarter of 2001. Husky's total EBITDA from midstream operations increased $159 million (175%), from $91 million in the first six months of 2000 to $250 million in the first six months of 2001.

UPGRADING OPERATIONS

		Three months ended June 30		Six months ended June 30	
		2001	2000	**2001**	2000
Gross margin		**$ 142**	$ 43	**$ 275**	$ 101
Operating costs		**53**	31	**122**	64
Other expenses (recoveries)		**6**	(2)	**11**	(4)
EBITDA		**83**	14	**142**	41
DD&A		**5**	3	**8**	7
Operating profit (EBIT)		**$ 78**	$ 11	**$ 134**	$ 34
Selected operating data:					
Upgrader throughput (1)	(mbbls/day)	**75.5**	56.9	**74.7**	65.7
Synthetic crude oil sales	(mbbls/day)	**65.6**	49.8	**61.0**	55.3
Upgrading differential	($/bbl)	**19.56**	9.21	**20.55**	8.89
Unit margin	($/bbl)	**23.84**	9.81	**24.95**	10.07
Unit operating cost	($/bbl)	**7.83**	6.17	**9.03**	5.35

(1) Throughput includes diluent returned to the field.

UPGRADING EBITDA VARIANCE ANALYSIS

Three months ended June 30, 2000	$ 14
Volume	15
Differential	83
Operating costs-energy	(17)
Operating costs-non-energy	(5)
Other	(7)
Three months ended June 30, 2001	**$ 83**
Six months ended June 30, 2000	$ 41
Volume	10
Differential	164
Operating costs-energy	(50)
Operating costs-non-energy	(8)
Other	(15)
Six months ended June 30, 2001	**$ 142**

Upgrading operations accounted for 68% of the total increase in midstream EBITDA in the second quarter of 2001 over that for the same quarter in 2000. The increase in upgrading EBITDA was due to a wider differential between the price of synthetic crude oil and the cost of blended heavy crude oil feedstock and higher throughput. These positive factors were partially offset by higher operating costs, primarily due to the increased cost of energy consumed by the upgrading operations. The increase in upgrading EBITDA for the first six months of 2001 as compared with the same period in 2000 was primarily the result of the same factors.

INFRASTRUCTURE AND MARKETING

	Three months ended June 30		Six months ended June 30	
	2001	2000	**2001**	2000
Gross margin - pipeline	**$ 27**	$ 22	**$ 50**	$ 44
- other infrastructure and marketing	**30**	–	**62**	9
	57	22	**112**	53
Other expenses	**3**	1	**4**	3
EBITDA	**54**	21	**108**	50
DD&A	**4**	3	**8**	7
Operating profit (EBIT)	**$ 50**	$ 18	**$ 100**	$ 43
Selected operating data:				
Aggregate pipeline throughput (mbbls/day)	**583**	498	**567**	490

Infrastructure and marketing operations accounted for $33 million (32%) of the total increase in midstream EBITDA in the second quarter of 2001 over that for the same quarter in 2000. Higher marketing income for brokered commodities and higher pipeline throughput were the main contributors to the positive variance as well as in the second quarter of 2000 there was a non-recurring $11 million loss on a contract termination. The increase in infrastructure and marketing EBITDA for the first six months of 2001 as compared with the same period in 2000 was primarily the result of the same factors. In addition, increased earnings from brokered natural gas were due to higher sales volumes in 2001. The cogeneration and gas storage facilities also contributed to the positive results for the first six months of 2001.

Refined Products

Husky's total refined products EBITDA increased $32 million (168%) from $19 million during the second quarter of 2000 to $51 million during the second quarter of 2001. Husky's total refined products EBITDA increased $41 million (146%) from $28 million during the first six months of 2000 to $69 million during the first six months of 2001. Higher marketing margins for both light oil and asphalt products and higher asphalt product sales volume were the main reasons for the increased EBITDA for both comparative periods.

REFINED PRODUCTS

Light oil products

	Three months ended June 30 2001	Three months ended June 30 2000	Six months ended June 30 2001	Six months ended June 30 2000
Gross margin – fuel sales	$ 25	$ 15	$ 38	$ 27
– ancillary sales	6	6	13	12
	31	21	51	39
Operating expenses	6	6	13	13
Other expenses	4	3	7	6
EBITDA	21	12	31	20
DD&A	6	5	12	10
Operating profit (EBIT)	$ 15	$ 7	$ 19	$ 10
Selected operating data:				
Number of fuel outlets	–	–	584	588
Fuel sales volume (millions litres/day)	7.3	7.5	7.4	7.2
Refinery throughput (mbbls/day)	10.7	7.6	10.8	9.1

Asphalt products

	Three months ended June 30 2001	Three months ended June 30 2000	Six months ended June 30 2001	Six months ended June 30 2000
Gross margin	$ 30	$ 8	$ 39	$ 9
Other expenses	–	1	1	1
EBITDA	30	7	38	8
DD&A	1	1	3	3
Operating profit (EBIT)	$ 29	$ 6	$ 35	$ 5
Selected operating data:				
Sales volume (mbbls/day)	20.6	18.4	17.8	16.7
Refinery throughput (mbbls/day)	20.5	22.2	21.3	21.5

CORPORATE

Interest Expense

Net interest expense was $11 million higher in the second quarter of 2001 as compared with the same period in 2000. During the second quarter of 2001 capitalized interest was $2 million higher than that in the comparable period in 2000 due to the progression of the Terra Nova development project and the White Rose pre-development project. Net interest expense was $12 million higher during the first six months of 2001 compared with the same period in 2000. During the first half of 2001 capitalized interest was $3 million higher than the same period in 2000 and interest expense in the first six months of 2000 included $9 million of expenses related to the partial redemption of the Husky Terra Nova Finance 8.45% senior secured bonds. The Company's average interest rate during the first six months of 2001 was 7.11% compared with 8.07% for the same period of 2000.

Foreign Exchange

Husky recorded a foreign exchange loss of $17 million during the first six months 2001 compared with a $3 million loss during the same period of 2000 primarily due to a weaker Canadian dollar.

Income Taxes

Income tax expense was $297 million during the first six months of 2001 compared with $87 million during the same period of 2000. Higher income tax expense in 2001 was due to higher pre-tax earnings partially offset by an Alberta corporate tax rate reduction which resulted in a non-recurring adjustment to future income taxes of $42 million.

SENSITIVITY ANALYSIS

The following table shows the effect on net earnings and cash flow of changes in certain key variables. The analysis is based on business conditions and production volumes during the second quarter of 2001. Each separate item in the sensitivity analysis assumes the others are held constant. While these sensitivities are applicable for the period and magnitude of changes on which they are based, they may not be applicable in other periods, under other economic circumstances or greater magnitudes of change.

SENSITIVITY ANALYSIS

		Approximate Change			
Factor	**Change**	**Cash Flow**		**Earnings**	
		($ Millions)	($/Share)[4]	($ Millions)	($/Share)[4]
WTI Benchmark Crude Oil Price	+ U.S. $1.00/bbl	80	0.19	50	0.12
NYMEX Benchmark Natural Gas Price [1]	+ U.S. $0.20/mmbtu	37	0.09	21	0.05
Light/Heavy Crude Oil Differential [2]	+ Cdn. $1.00/bbl	(27)	(0.07)	(16)	(0.04)
Light Oil Margins	+ Cdn. $0.005/litre	13	0.03	8	0.02
Asphalt Margins	+ Cdn. $1.00/bbl	8	0.02	4	0.01
Exchange Rate (U.S. $ per Cdn. $)	+ U.S. $0.01	(41)	(0.10)	(23)	(0.05)
Interest Rate [3]	+ 1%	(3)	(0.01)	(2)	(0.00)

(1) Includes decrease in earnings related to natural gas consumption.
(2) Includes impact of Upstream and Upgrading operations only.
(3) Interest rate sensitivity based on June 30, 2001 obligations.
(4) Based on June 30, 2001 common shares outstanding of 415.9 million.

LIQUIDITY AND CAPITAL RESOURCES

Summary

During the six months ended June 30, 2001, cash available from operating activities amounted to $1,030 million, an increase of $712 million (224%) compared with the same period in 2000. Cash used for investing activities during the six month period amounted to $612 million, an increase of $404 million compared with the same period in 2000. During the first six months of 2001 cash used for investing activities comprised capital expenditures of $651 million partially offset by sales of assets ($285 million in the same period of 2000).

Investing Activities

Net capital investments during the first six months for both 2001 and 2000 were financed by cash flow from operating activities.

CAPITAL EXPENDITURES

	Three months ended June 30		Six months ended June 30	
	2001	2000	**2001**	2000
Upstream				
Exploration				
Western Canada	**$ 57**	$ 15	**$ 135**	$ 34
East Coast Canada	**26**	18	**39**	35
International	**1**	–	**1**	–
	84	33	**175**	69
Development				
Western Canada	**156**	54	**327**	97
East Coast Canada	**28**	39	**55**	66
International	**17**	–	**47**	–
	201	93	**429**	163
	285	126	**604**	232
Midstream				
Upgrader	**3**	3	**5**	5
Infrastructure and marketing	**5**	6	**30**	25
	8	9	**35**	30
Refined products	**5**	8	**10**	12
Corporate	**2**	8	**2**	11
	$ 300	$ 151	**$ 651**	$ 285

UPSTREAM

During the first six months of 2001 upstream capital expenditures in Western Canada totalled $462 million and included $64 million for development in the Lloydminster heavy oil area and $185 million in conventional oil and gas areas primarily in Alberta and southern Saskatchewan. Exploration spending in the first six months of 2001 totalled $135 million in Western Canada or 29% of total Western Canada upstream capital expenditures. The Company's Western Canadian exploration focus remains on natural gas plays extending from the Alberta foothills and deep basin through to Northeast British Columbia and Northwest Alberta. During the six month period $94 million was spent on the East Coast of Canada offshore exploration and development projects, which include the Terra Nova development project and the White Rose pre-development engineering project. During the first half of 2001 $47 million was spent on the Wenchang development project in China.

WELLS DRILLED

		Three months ended June 30				Six months ended June 30			
		2001		2000		**2001**		2000	
		Gross	**Net**	Gross	Net	**Gross**	**Net**	Gross	Net
Western Canada									
Exploration	Oil	**15**	**15**	–	–	**62**	**60**	2	1
	Gas	**6**	**5**	1	–	**78**	**73**	3	1
	Dry	**3**	**3**	–	–	**29**	**28**	–	–
		24	**23**	1	–	**169**	**161**	5	2
Development	Oil	**132**	**129**	61	55	**242**	**231**	162	137
	Gas	**19**	**17**	9	6	**133**	**111**	19	7
	Dry	**8**	**7**	6	6	**31**	**29**	16	12
		159	**153**	76	67	**406**	**371**	197	156

Midstream

Midstream capital expenditures for property, plant and equipment during the six months ended June 30, 2001 totalled $35 million and included $25 million for a 50% interest in a cogeneration facility at Rainbow Lake in northern Alberta.

Refined Products

Refined products capital expenditures amounted to $10 million during the first half of 2001 and included $7 million for marketing outlet improvements and $3 million for various improvements at the Lloydminster asphalt refinery and Prince George refinery.

Financing Activities

As of June 30, 2001 Husky's outstanding long-term debt, including amounts due within one year, totalled $2,057 million, compared with $2,344 at December 31, 2000. During January 2001 Husky's $510 million syndicated credit facility was amended and restated to permit borrowings of up to $1 billion from a group of lenders on substantially the same financial terms.

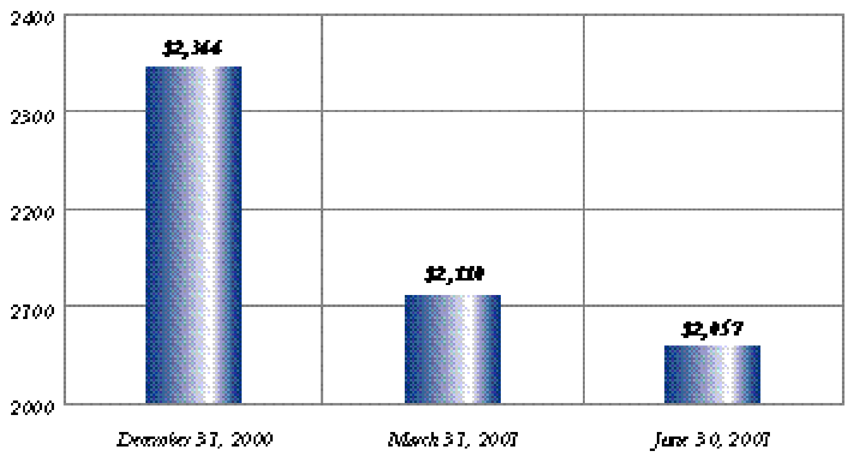
At June 30, 2001, $176 million (U.S.$116 million) had been drawn under the $1 billion syndicated credit facility. Interest rates vary based on Canadian prime, Bankers' Acceptance, U.S. Libor or U.S. base rate, depending on the borrowing option selected, credit ratings assigned by certain rating agencies to Husky's rated senior unsecured debt and whether the facility is revolving or non-revolving. As at June 30, 2001 Husky had unutilized committed long term credit facilities totalling $824 million.

At June 30, 2001, $7 million had been utilized under Husky's $195 million short-term credit facilities. The interest rates applicable to these facilities are based on Canadian prime, Bankers' Acceptance or money market rates, or U.S. dollar equivalents.

Husky has an agreement to sell trade receivables of up to $220 million on a continual basis. The agreement calls for purchase discounts, based on Canadian commercial paper rates to be paid on an ongoing basis. The average effective rate during the first six months of 2001 was approximately 5.67% (2000 - 5.72%). Husky has potential exposure to an immaterial amount of credit loss under this agreement. At June 30, 2001 $176 million of receivables had been sold under the agreement.

Husky believes its internally generated liquidity, together with access to external credit resources, will be sufficient to satisfy existing commitments and plans, and also to provide adequate flexibility to take advantage of potential strategic business opportunities.

Long Term Debt (1)
(millions of dollars)



(1) *Includes amounts due within 12 months.*

COMMON SHARE INFORMATION

(Thousands of shares, except prices)		Six months ended June 30 2001	Year ended December 31 2000
Share price (1)	High	$ 17.30	$ 15.95
	Low	$ 13.10	$ 11.50
	Closing price	$ 16.22	$ 14.90
Average daily trading volume (thousands of shares)		398	979
Weighted average number of common shares outstanding			
	Basic	415,841	321,169
	Diluted	417,948	345,033
Number of common shares outstanding at June 30, 2001		415,947	

(1) *Trading in HSE commenced on The Toronto Stock Exchange on August 28, 2000. HSE is included in the S&P Global 1200, TSE 300 Composite, S&P/TSE 60, TSE 100 and Toronto 35 indices and is represented in the integrated oil subgroup in the TSE 300 Composite.*

This release contains forward-looking statements, including references to regulatory applications, drilling plans, construction activities, oil and gas production levels and the sources of growth thereof, results of exploration activities, and dates by which certain areas may be developed or may come onstream. These forward-looking statements are subject to numerous known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and numerous achievements to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic, market and business conditions; industry capacity; competitive action by other companies; fluctuations in oil and gas prices; refining and marketing margins; the ability to produce and transport crude oil and natural gas to markets; the results of exploration and development of drilling and related activities; fluctuation in foreign currency exchange rates; the imprecision of reserve estimates; the ability of suppliers to meet commitments; actions by governmental authorities including increases in taxes; decisions or approvals of administrative tribunals; changes in environmental and other regulations; risks attendant with oil and gas operations; and other factors, many of which are beyond the control of Husky. Husky's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Husky will derive therefrom.

CONSOLIDATED BALANCE SHEETS

(2001 unaudited)

June 30, 2001 and December 31, 2000 *(millions of dollars)*	2001	2000
Assets		
Current assets		
Accounts receivable	$ 609	$ 715
Inventories	234	186
Prepaid expenses	28	27
	871	928
Property, plant and equipment – (full cost accounting)	12,109	11,471
Less accumulated depletion, depreciation and amortization	3,994	3,630
	8,115	7,841
Other assets	135	133
	$ 9,121	$ 8,902
Liabilities and Shareholders' Equity		
Current liabilities		
Bank operating loans	$ 7	$ 34
Accounts payable and accrued liabilities	874	1,076
Long term debt due within one year	141	33
	1,022	1,143
Long term debt	1,916	2,311
Site restoration provision	200	178
Future income taxes	1,529	1,231
Shareholders' equity		
Capital securities and accrued return	348	347
Common shares	3,390	3,388
Retained earnings	716	304
	4,454	4,039
	$ 9,121	$ 8,902
Subsequent event (Note 2)		
Common shares outstanding (millions)	415.9	415.8

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited)

(millions of dollars, except per share amounts)	Three months ended June 30 2001	Three months ended June 30 2000	Six months ended June 30 2001	Six months ended June 30 2000
Sales and operating revenues	**$ 1,738**	$ 1,018	**$ 3,526**	$ 1,969
Costs and expenses				
Cost of sales and operating expenses	**1,117**	772	**2,230**	1,492
Selling and administration expenses	**23**	12	**40**	24
Depletion, depreciation and amortization	**196**	80	**388**	164
Interest – net	**26**	15	**54**	42
Ownership charges	**–**	31	**–**	62
Foreign exchange	**8**	4	**17**	3
Other – net	**1**	(1)	**4**	1
	1,371	913	**2,733**	1,788
Earnings before income taxes	**367**	105	**793**	181
Income taxes				
Current	**5**	2	**10**	4
Future	**108**	48	**287**	83
	113	50	**297**	87
Net earnings	**$ 254**	$ 55	**$ 496**	$ 94
Earnings per share				
Basic and diluted	**$ 0.60**	$ 0.19	**$ 1.17**	$ 0.32
Weighted average number of common shares outstanding				
Basic	**415.9**	270.3	**415.8**	270.3
Diluted	**418.3**	270.3	**417.9**	270.3

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(unaudited)

(millions of dollars, except per share amounts)	Three months ended June 30 2001	Three months ended June 30 2000	Six months ended June 30 2001	Six months ended June 30 2000
Beginning of period	**$ 505**	$ (260)	**$ 304**	$ (295)
Net earnings	**254**	55	**496**	94
Dividends	**(38)**	–	**(75)**	–
Return on capital securities (net of related taxes)	**(5)**	(4)	**(9)**	(8)
End of period	**$ 716**	$ (209)	**$ 716**	$ (209)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(millions of dollars, except per share amounts)	Three months ended June 30 2001	Three months ended June 30 2000	Six months ended June 30 2001	Six months ended June 30 2000
Operating activities				
Net earnings	$ 254	$ 55	$ 496	$ 94
Items not affecting cash				
Depletion, depreciation and amortization	196	80	388	164
Future income taxes	108	48	287	83
Foreign exchange – non cash	4	5	9	4
Ownership charges	–	31	–	62
Other	(1)	–	1	3
Cash flow from operations	561	219	1,181	410
Change in non-cash working capital	(185)	(27)	(151)	(92)
	376	192	1,030	318
Financing activities				
Bank operating loans financing – net	(53)	(53)	(27)	(29)
Long term debt issue	–	70	–	70
Long term debt repayment	(1)	(104)	(303)	(104)
Return on capital securities payment	–	–	(15)	(15)
Deferred credits	3	(1)	–	(2)
Proceeds from exercise of stock options	2	–	2	–
Dividends	(38)	–	(75)	–
	(87)	(88)	(418)	(80)
Available for investing	289	104	612	238
Investing activities				
Capital expenditures	300	151	651	285
Asset sales	(9)	–	(36)	(1)
Other assets	(2)	11	(3)	(76)
	289	162	612	208
Increase (decrease) in cash equivalents	–	(58)	–	30
Cash equivalents at beginning of period	–	88	–	–
Cash equivalents at end of period	$ –	$ 30	$ –	$ 30
Decrease (increase) in non-cash working capital				
Accounts receivable	$ 114	$ (40)	$ 106	$ (110)
Inventories	(35)	(17)	(48)	(55)
Prepaid expenses	(1)	(10)	(1)	(14)
Accounts payable and accrued liabilities	(263)	40	(208)	87
Change in non-cash working capital	$ (185)	$ (27)	$ (151)	$ (92)
Cash taxes paid	$ 5	$ 3	$ 13	$ 5
Cash interest paid	$ 37	$ 29	$ 73	$ 55
Cash flow from operations per share				
Basic and diluted	$ 1.33	$ 0.78	$ 2.80	$ 1.46

The accompanying notes to the consolidated financial statements are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2001
(unaudited)

Except where indicated, all dollar amounts are in millions of Canadian dollars.

Note 1 – Accounting Policies

The interim consolidated financial statements of Husky Energy Inc. ("the Company") have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2000. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in the Company's annual report for the year ended December 31, 2000. Certain prior year amounts including ownership charges which were eliminated effective August 25, 2000 have been reclassified to conform with current presentation.

Note 2 – Subsequent Event (Acquisition of Avid)

On July 4, 2001, Husky paid for the shares of Avid Oil & Gas Ltd. ("Avid") tendered pursuant to an offer dated May 23, 2001. Husky already held 8,287,500 Class A common shares (39.5%) prior to the offer. Cash consideration consists of $5.85 for each Class A common share (12,673,520 shares not already held by Husky) and $10.00 for each Class B common share (843,324 shares). On July 4, 2001, 96.9% of the Class A common shares (not already held by Husky) and 90.5% of the Class B common shares were tendered to the offer and taken up. Husky has taken steps to acquire the remaining common shares of Avid pursuant to the compulsory acquisition provisions contained in the Business Corporations Act (Alberta).

Note 3 – Share Capital

The Company's share capital consists of an unlimited number of no par value common and preferred shares.

	Number of Common Shares	Amount
Balance at December 31, 2000	415,803,083	$ 3,388
Exercised for cash – options and warrants	143,942	2
Balance at June 30, 2001	**415,947,025**	**$ 3,390**

Options to purchase common shares have been awarded to directors, officers and certain other employees. At June 30, 2001, 30,000,000 common shares were reserved for issuance under the Company stock option plan. The exercise price of the options is equal to the average market price of the Company's common shares during the five trading days prior to the date of the award. Under the stock option plan the options awarded have maximum term of five years and vest over three years on the basis of one–third per year. At June 30, 2001, there were 9,549,000 stock options outstanding at a weighted average exercise price of $13.92 per share with a weighted average life of four years. 1,065,000 of the options were exercisable as of June 30, 2001. Shares potentially issuable on the settlement of the capital securities have not been included in the determination of diluted earnings and cash flow per share, as the Company has neither the obligation nor intention to settle amounts due through the issue of shares.

Note 4 – Segmented Information (Next Page)

Note 4　Segmented Financial Information

	Upstream		Midstream				Refined		Corporate		Total	
			Upgrading		Infrastructure & Marketing		Products		and eliminations			
(millions of dollars)	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Three months ended June 30												
Sales & operating revenues	$ 585	$ 249	$ 259	$ 186	$ 839	$ 535	$ 345	$ 317	$ (290)	$ (269)	$ 1,738	$ 1,018
Costs and expenses	162	62	176	172	785	514	294	298	(268)	(259)	1,149	787
EBITDA	423	187	83	14	54	21	51	19	(22)	(10)	589	231
Depletion, depreciation & amortization	176	63	5	3	4	3	7	6	4	5	196	80
Interest, net	–	–	–	–	–	–	–	–	26	15	26	15
Ownership charges	–	–	–	–	–	–	–	–	–	31	–	31
	176	63	5	3	4	3	7	6	30	51	222	126
Earnings (loss) before income taxes	247	124	78	11	50	18	44	13	(52)	(61)	367	105
Current income taxes	–	–	–	–	–	–	–	–	5	2	5	2
Future income taxes	–	–	–	–	–	–	–	–	108	48	108	48
Net earnings (loss)	$ 247	$ 124	$ 78	$ 11	$ 50	$ 18	$ 44	$ 13	$ (165)	$ (111)	$ 254	$ 55
Cash flow from operations	$ 423	$ 188	$ 82	$ 14	$ 54	$ 20	$ 52	$ 19	$ (50)	$ (22)	$ 561	$ 219
Capital expenditures – Three months ended June 30	$ 285	$ 126	$ 3	$ 3	$ 5	$ 6	$ 5	$ 8	$ 2	$ 8	$ 300	$ 151
Identifiable assets – As at June 30	$ 6,799	$ 2,831	$ 760	$ 765	$ 202	$ 166	$ 320	$ 326	$ 1,040	$ 1,011	$ 9,121	$ 5,099
Six months ended June 30												
Sales & operating revenues	$ 1,264	$ 479	$ 484	$ 423	$ 2,431	$ 994	$ 646	$ 584	$ (1,299)	$ (511)	$ 3,526	$ 1,969
Costs and expenses	299	119	342	382	2,323	944	577	556	(1,250)	(481)	2,291	1,520
EBITDA	965	360	142	41	108	50	69	28	(49)	(30)	1,235	449
Depletion, depreciation & amortization	350	128	8	7	8	7	15	13	7	9	388	164
Interest, net	–	–	–	–	–	–	–	–	54	42	54	42
Ownership charges	–	–	–	–	–	–	–	–	–	62	–	62
	350	128	8	7	8	7	15	13	61	113	442	268
Earnings (loss) before income taxes	615	232	134	34	100	43	54	15	(110)	(143)	793	181
Current income taxes	–	–	–	–	–	–	–	–	10	4	10	4
Future income taxes	–	–	–	–	–	–	–	–	287	83	287	83
Net earnings (loss)	$ 615	$ 232	$ 134	$ 34	$ 100	$ 43	$ 54	$ 15	$ (407)	$ (230)	$ 496	$ 94
Cash flow from operations	$ 965	$ 360	$ 142	$ 41	$ 108	$ 50	$ 69	$ 28	$ (103)	$ (69)	$ 1,181	$ 410
Capital expenditures – Six months ended June 30	$ 604	$ 232	$ 5	$ 5	$ 30	$ 25	$ 10	$ 12	$ 2	$ 11	$ 651	$ 285
Identifiable assets – As at June 30	$ 6,799	$ 2,831	$ 760	$ 765	$ 202	$ 166	$ 320	$ 326	$ 1,040	$ 1,011	$ 9,121	$ 5,099

TERMS AND ABBREVIATIONS

bbls	barrels
bcf	billion cubic feet
boe	barrels of oil equivalent
hectare	1 hectare is equal to 2.47 acres
mbbls	thousand barrels
mbbls/day	thousand barrels per day
mboe	thousand barrels of oil equivalent
mboe/day	thousand barrels of oil equivalent per day
mcf	thousand cubic feet
mcfe	thousand cubic feet of gas equivalent
mmbbls	million barrels
mmboe	million barrels of oil equivalent
mmboe/day	million barrels of oil equivalent per day
mmcf	million cubic feet
mmcf/day	million cubic feet per day
mmlt	million long tons
Capital Expenditures	Include capitalized administrative expenses and capitalized interest but does not include proceeds or other assets
Cash Flow from Operations	Earnings from operations plus non-cash charges
Total Debt	Long term debt including current portion and short term
EBITDA	Earnings from operations before interest, taxes and DD&A
EBIT	Earnings from operations before interest and taxes (operating profit)
Equity	Amounts due to shareholders, capital securities and accrued return, shares and retained earnings
Free Cash Flow	Cash flow from operations less capitalized administration and capitalized interest

Natural gas volumes converted on the basis that six thousand cubic feet of natural gas equals one barrel of oil (6:1)

In this report, the term "Husky Energy Inc.", "Husky" or "the Company" means Husky Energy Inc. and its subsidiaries and partnership interests on a consolidated basis.

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Husky Energy will host a conference call for analysts and investors on Thursday, August 2, 2001 at 4:15 p.m. Eastern time to discuss Husky's second quarter results. To participate, please dial 1-888-328-2936 beginning at 4:05 p.m. Eastern time. Media are invited to participate in the call on a listen-only basis by dialing 1-888-328-2939 beginning at 4:05 p.m.

Those who are unable to listen to the call live may listen to a recording of the call by dialing 1-800-558-5253 one hour after the completion of the call, approximately 6:15 p.m. Eastern time, then dialing reservation number 19084345. The PostView will be available until Thursday, August 9th.

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