Husky Energy Inc.

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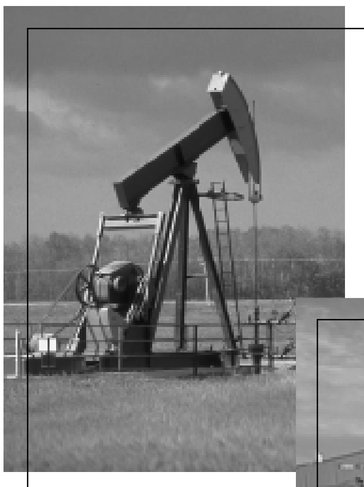
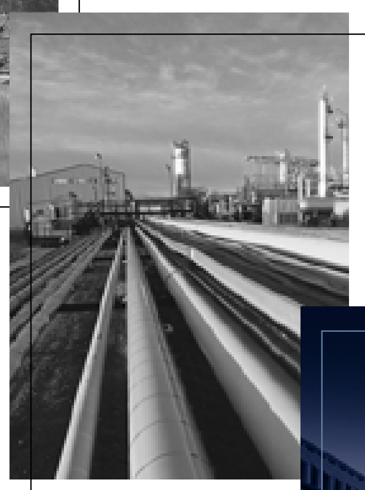
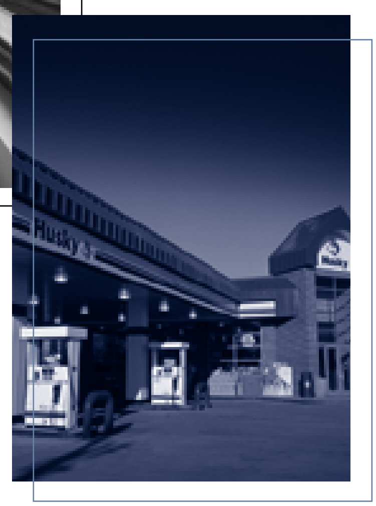
Third Quarter Report & News Release

FOR THE NINE MONTHS ENDED SEPTEMBER 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. is pleased to report third quarter net earnings of $156 million ($0.36 per share), an increase of 13 percent, compared with $138 million, ($0.41 per share) for the same period last year. Nine-month net earnings rose 181 percent to $652 million or $1.53 per share versus $232 million or $0.76 per share over the same period of 2000.

Cash flow from operations grew 23 percent to $478 million or $1.12 per share, compared with $388 million or $1.16 per share in the third quarter of 2000. Nine-month cash flow climbed 108 percent to $1.7 billion or $3.91 per share compared to $798 million or $2.68 per share over the same period in 2000.

Third-quarter sales and operating revenue rose nine percent to $1.5 billion versus $1.4 billion for the same period last year. For the first nine months of 2001, sales and operating revenue grew 51 percent to $5 billion, compared to $3.3 billion for the same period last year.

Capital expenditures in the third quarter increased 171 percent to $414 million from $153 million in the third quarter of 2000. Nine-month capital expenditures rose 137 percent to $1 billion from $438 million in the same period of 2000.

"Husky's third quarter results reflect the benefit of owning an integrated suite of oil and gas assets in an environment of fluctuating commodity prices," said John C.S. Lau, President and Chief Executive Officer. *"Our focus on financial discipline while maximizing opportunities has given us a solid base on which to build shareholder value."*

Third-quarter upstream production increased 50 percent to 276,300 barrels of oil equivalent per day (boe/d), compared to 183,700 boe/d in the third quarter of 2000. The nine-month period saw upstream production grow 86 percent to 270,100 boe/d versus 145,200 boe/d in the same period of 2000.

In the third quarter, upstream revenue (after hedging) increased 23 percent to $661 million from $536 million in the same quarter last year. Nine-month upstream revenue rose 102 percent to $2.2 billion versus $1.1 billion in the same period last year. During the first nine months, 902 wells were drilled, primarily in the Western Canada Sedimentary Basin, with a success rate of over 90 percent.

Midstream third-quarter earnings before interest, taxes, depreciation and amortization (EBITDA) rose 39 percent to $79 million from $57 million in the third quarter last year. Third quarter EBITDA for Husky's upgrading operations was $41 million compared to $30 million in the third quarter of 2000. Infrastructure and Marketing EBITDA was $38 million in the third quarter compared with $27 million in the third quarter of 2000.

For the nine-month period, midstream EBITDA increased 122 percent to $329 million from $148 million in the previous year, upgrading operations EBITDA rose to $183 million from $71 million and Infrastructure and Marketing EBITDA grew to $146 million from $77 million in the same period last year.

Third-quarter refined products EBITDA increased 150 percent to $60 million compared with $24 million in the third quarter of 2000. Nine-month EBITDA grew 148 percent to $129 million from $52 million in the same period last year.

"Our increased net earnings, cash flow and revenue resulted from higher upstream production, strong upgrading operations, and sales growth in the refined products segment," said Mr. Lau.

During the third quarter, Husky was recognized by Canada's Climate Change Voluntary Challenge and Registry, (VCR Inc.), as a Gold Champion level reporter. This marks the fourth year that Husky has been honored.

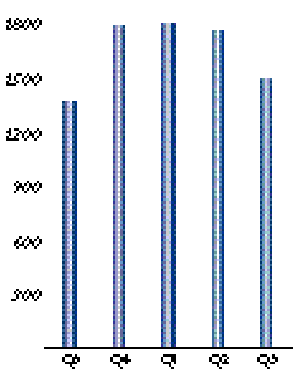
To cement strong co-operation between Husky and First Nations, the Company signed a Memorandum of Understanding with the Frog Lake First Nation and Kehewin Cree Nation on October 11. This reflects Husky's commitment to effective and dynamic partnerships.

"The Memorandum of Understanding demonstrates all parties' commitment to treat people as one and to forge a tangible bond between Frog Lake First Nation, Kehewin Cree Nation, and Husky," said Mr. Lau. *"Husky strives to promote economic development, co-operation and work opportunities for First Nation people."*

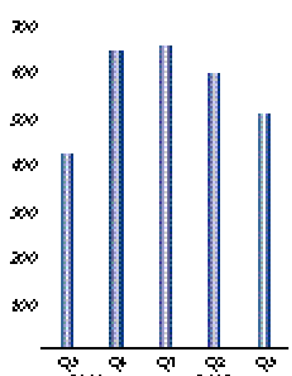
HIGHLIGHTS

(Millions of dollars, except per share amounts)	Three months ended September 30 2001	2000	Change	Nine months ended September 30 2001	2000	Change
Sales and operating revenues, net of royalties	**$ 1,478**	$ 1,352	↑ 9%	**$ 5,004**	$ 3,321	↑ 51%
EBITDA	**500**	414	↑ 21%	**1,735**	863	↑ 101%
Cash flow from operations	**478**	388	↑ 23%	**1,659**	798	↑ 108%
Per share – Basic	**1.13**	1.16	↓ (3)%	**3.93**	2.68	↑ 47%
– Diluted	**1.12**	1.16	↓ (3)%	**3.91**	2.68	↑ 46%
Net earnings	**156**	138	↑ 13%	**652**	232	↑ 181%
Per share – Basic	**0.36**	0.41	↓ (12)%	**1.54**	0.76	↑ 103%
– Diluted	**0.36**	0.41	↓ (12)%	**1.53**	0.76	↑ 101%
Production						
Light/Medium Crude Oil & NGL's (mbbls/day)	**112.7**	66.5	69%	**112.2**	45.4	147%
Heavy Oil (mbbls/day)	**69.1**	54.9	26%	**62.2**	52.3	19%
Gas (mmcf/day)	**567.1**	373.7	52%	**573.9**	285.2	101%
mboe/day (6:1)	**276.3**	183.7	50%	**270.1**	145.2	86%

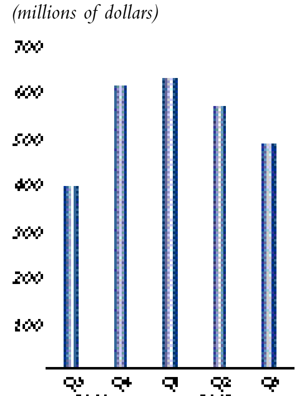
Revenue
(millions of dollars)



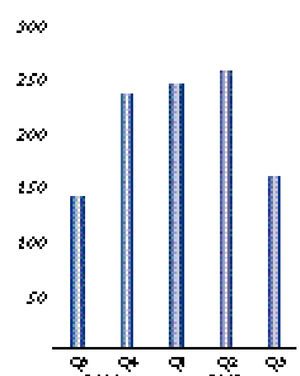
EBITDA
(millions of dollars)



Cash Flow from Operations
(millions of dollars)



Net Earnings
(millions of dollars)



UPSTREAM

Production

- Production increased in the third quarter by five percent over the second quarter to 276 mboe/day. Third quarter natural gas production remained at second quarter levels as new well tie-ins offset natural declines. Production of crude oil increased by seven percent to 182 mbbls/day. Heavy crude oil production increased by 15 percent to 69 mbbls/day, primarily due to an increased number of wells using cold production techniques, as well as increased thermal production during the quarter.
- In September, the Company began expansion of the Bolney/Celtic heavy oil thermal project with plans to increase production from three mbbls/day to over 15 mbbls/day in 2003.
- At the beginning of September, the Company began operating the Burnt Timber gathering system that will deliver natural gas to the Husky operated Ram River gas plant, which is 72 percent company owned. The system comprises 100 kilometres (62 miles) of pipelines.
- During the third quarter the Blackstone Swan Hills 7-33 in-fill natural gas well was tied in. This project increased total gross unit production from 60 mmcf/day to 94 mmcf/day.

Exploration

- Exploratory drilling continued in the Cordel area in the Alberta foothills with two discoveries. Five exploration wells are currently drilling and 10 wells are being tied-in in other core exploration areas.
- The Wenchang 39-5 exploration petroleum contract was ratified on October 1, 2001 by the Chinese government authorities. Seismic evaluation has started and exploration drilling is planned for 2002.

Major Project Update

Terra Nova: The Floating Production Storage and Offloading Vessel (FPSO) hook-up in the field began in August and connection of the spider buoy to the sub-sea apparatus was completed. Facility commissioning is ongoing and the field operator expects first oil by the end of the year.

White Rose: In September the report of the Public Review Commissioner for the White Rose Development was issued. After reviewing the Commissioner's report, the Canada-Newfoundland Offshore Petroleum Board will issue its report to the federal and provincial energy ministers for consideration. This review process is expected to be completed by the end of the year.

Wenchang: Offshore China, development of the Wenchang 13-1 and 13-2 fields continued with the installation of the first of two production jackets at the 13-1 location. The installation of the second jacket, for the 13-2 location, is currently underway. The FPSO hook-up is scheduled to occur before the end of the year and first oil is expected in the second quarter of 2002.

MIDSTREAM

- Third quarter 2001 sales of synthetic crude oil from the Lloydminster Upgrader averaged 66.5 mbbls/day, up from 66.1 mbbls/day in 2000. Total plant throughput averaged 74.7 mbbls/day including diluent, an increase of four percent compared with the third quarter of 2000. Unit operating costs decreased 14 percent in the third quarter of 2001 compared with the same period in 2000.

- The Husky Lloydminster Upgrader continued its record of safe operations with 2.6 million person/hours recorded without a lost time accident.

REFINED PRODUCTS

- Asphalt products EBIT for the third quarter of 2001 increased 4.3 times compared to the same period in 2000. High demand coupled with lower feedstock costs and operating efficiencies allowed Husky to capitalize on market opportunities.
- Light oil products EBIT for the third quarter of 2001 increased two times compared to the same period in 2000. Fuel sales volume rose to 8.2 million litres per day during the third quarter of 2001, an increase of six percent over the same period in 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 nine months ended September 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, unless otherwise indicated.

THIRD QUARTER 2001 VS SECOND QUARTER 2001

	Three months ended		Nine months ended
	June 30	**Sept 30**	**Sept 30**
Sales and operating revenue	$ 1,738	**$ 1,478**	**$ 5,004**
EBITDA	589	**500**	**1,735**
Cash flow from operations	561	**478**	**1,659**
Per share – Basic	1.33	**1.13**	**3.93**
– Diluted	1.33	**1.12**	**3.91**
Net earnings	254	**156**	**652**
Per share – Basic	0.60	**0.36**	**1.54**
– Diluted	0.60	**0.36**	**1.53**

Third quarter net earnings of $156 million ($0.36 per diluted share) were 39 percent lower than the $254 million ($0.60 per diluted share) reported for the second quarter of 2001. The lower net earnings during the third quarter resulted from lower prices for natural gas, lower upgrading differentials and lower pipeline and commodity marketing income. These negative factors were partially offset by higher prices for and production of crude oil, higher sales volume of refined product, lower depletion, depreciation and amortization expense and lower interest expense. Income tax expense remained at a similar level to the second quarter, despite lower earnings, due to a positive adjustment taken in the second quarter to recognize the Alberta corporate tax rate reduction.

Production during the third quarter of 2001 was 276,300 boe/day, a five percent increase over the second quarter of 2001. The increase in upstream production reflects an increased number of oil and natural gas development wells brought on stream late in the second quarter and during the third quarter.

INDUSTRY CONDITIONS

		Three months ended September 30		Nine months ended September 30	
Benchmark Prices (Averages)		**2001**	2000	**2001**	2000
West Texas Intermediate ("WTI")	U.S. $/bbl	**$ 26.76**	$ 31.58	**$ 27.81**	$ 29.65
NYMEX natural gas	U.S. $/mmbtu	**$ 2.98**	$ 4.31	**$ 5.01**	$ 3.41
AECO natural gas	$/GJ	**$ 3.72**	$ 4.99	**$ 6.92**	$ 4.00

The price for West Texas Intermediate fell during the third quarter of 2001, from U.S. $25.95/bbl at the beginning of the quarter to U.S. $23.43/bbl at the end of the quarter. The high for the period was U.S.$29.78/bbl on September 14th and the low was recorded on September 24th at U.S. $21.45/bbl. During the first half of October prices traded within a range of U.S. $23.33/bbl to U.S. $22.08/bbl.

The Nymex near-month price for natural gas fell during the third quarter of 2001 from U.S. $3.12/mmbtu at the beginning of July to U.S. $2.24/mmbtu at the end of September.

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

The Company's total revenues from upstream operations (after hedging) increased $125 million (23 percent) from $536 million in the third quarter of 2000 to $661 million in the third quarter of 2001. Total revenues from upstream operations increased $1,126 million (102 percent) from $1,105 million in the first nine months of 2000 to $2,231 million in the first nine months of 2001.

UPSTREAM EARNINGS SUMMARY

	Three months ended September 30		Nine months ended September 30	
	2001	2000	**2001**	2000
Gross revenue	**$ 661**	$ 573	**$ 2,231**	$ 1,212
Royalties	**104**	98	**410**	188
Hedging	**–**	37	**–**	107
Net revenue	**557**	438	**1,821**	917
Costs and expenses	**171**	97	**470**	216
EBITDA	**386**	341	**1,351**	701
DD&A	**185**	102	**535**	230
Operating profit (EBIT)	**$ 201**	$ 239	**$ 816**	$ 471

NET REVENUE VARIANCE ANALYSIS

	Light & medium crude oil & NGL's	Lloydminster heavy oil	Natural gas	Other	Total
Three months ended September 30, 2000	$ 187	$ 118	$ 125	$ 8	$ 438
Price changes	(105)	(53)	(94)	(6)	(258)
Volume changes	186	41	107	4	338
Royalties	(14)	6	3	–	(5)
Hedging	12	26	(1)	–	37
Processing	–	–	–	7	7
Three months ended September 30, 2001	**$ 266**	**$ 138**	**$ 140**	**$ 13**	**$ 557**
Nine months ended September 30, 2000	$ 349	$ 318	$ 230	$ 20	$ 917
Price changes	(295)	(201)	415	(6)	(87)
Volume changes	728	79	286	–	1,093
Royalties	(71)	16	(167)	–	(222)
Hedging	36	72	(1)	–	107
Processing	–	–	–	13	13
Nine months ended September 30, 2001	**$ 747**	**$ 284**	**$ 763**	**$ 27**	**$ 1,821**

AVERAGE PRICES

		Three months ended September 30		Nine months ended September 30	
		2001	2000	**2001**	2000
Light/medium crude oil & NGL's	($/bbl)	**$ 31.74**	$ 40.67	**$ 29.79**	$ 39.16
Hedging		**–**	1.93	**–**	2.87
Light/medium & NGL price realized		**$ 31.74**	$ 38.74	**$ 29.79**	$ 36.29
Lloydminster heavy crude oil	($/bbl)	**$ 23.65**	$ 32.18	**$ 18.05**	$ 29.91
Hedging		**–**	5.20	**–**	5.06
Lloydminster heavy crude price realized		**$ 23.65**	$ 26.98	**$ 18.05**	$ 24.85
Natural gas price	($/mcf)	**$ 3.25**	$ 4.55	**$ 6.29**	$ 3.65
Hedging		**–**	(0.02)	**–**	(0.01)
Natural gas price realized	($/mcf)	**$ 3.25**	$ 4.57	**$ 6.29**	$ 3.66

GROSS DAILY PRODUCTION

		Three months ended September 30		Nine months ended September 30	
		2001	2000	**2001**	2000
Light/medium crude oil & NGL's	(mbbls/day)	**112.7**	66.5	**112.2**	45.4
Lloydminster heavy crude oil	(mbbls/day)	**69.1**	54.9	**62.2**	52.3
Natural gas	(mmcf/day)	**567.1**	373.7	**573.9**	285.2
Barrels of oil equivalent	(mboe/day)	**276.3**	183.7	**270.1**	145.2

The increase in upstream revenues for the third quarter of 2001 compared with the third quarter of 2000 was primarily due to higher production of crude oil and natural gas mainly associated with the inclusion of properties acquired effective August 25, 2000. This positive effect was partially offset by lower commodity prices and higher unit operating costs. Realized heavy crude oil prices were approximately 12 percent lower during the third quarter of 2001 compared to the same period in 2000. The Company's average realized price for light and medium crude oil and NGL's in the third quarter of 2001 was 18 percent lower compared with the same period in 2000 as a result of the decline in WTI and the inclusion of the properties acquired in 2000 which on average, produce a heavier grade of crude oil. Realized natural gas prices were approximately 29 percent lower during the third quarter of 2001 compared with the third quarter in 2000 due to lower Nymex prices.

The positive variance in upstream revenue for the first nine months of 2001 as compared with the same period in 2000 was primarily due to higher production volume of crude oil and natural gas and higher natural gas prices partially offset by lower average crude oil prices and higher unit operating costs.

Netbacks and Operating Costs

LIGHT/MEDIUM CRUDE OIL NETBACKS (1)

Per boe	Three months ended September 30 2001	Three months ended September 30 2000	Nine months ended September 30 2001	Nine months ended September 30 2000
Sales revenue	**$ 31.57**	$ 40.25	**$ 30.16**	$ 38.28
Royalties	**5.68**	7.43	**5.09**	6.86
Hedging	**–**	1.93	**–**	2.87
Operating costs	**7.86**	6.57	**7.46**	5.67
Netback	**$ 18.03**	$ 24.32	**$ 17.61**	$ 22.88

LLOYDMINSTER HEAVY CRUDE OIL NETBACKS (1)

Per boe	Three months ended September 30 2001	Three months ended September 30 2000	Nine months ended September 30 2001	Nine months ended September 30 2000
Sales revenue	**$ 23.63**	$ 32.03	**$ 18.25**	$ 29.83
Royalties	**1.88**	3.55	**1.30**	2.65
Hedging	**–**	5.20	**–**	5.06
Operating costs	**7.71**	6.79	**8.25**	6.52
Netback	**$ 14.04**	$ 16.49	**$ 8.70**	$ 15.60

NATURAL GAS NETBACKS (2)

Per mcfe	Three months ended September 30 2001	Three months ended September 30 2000	Nine months ended September 30 2001	Nine months ended September 30 2000
Sales revenue	**$ 3.34**	$ 4.72	**$ 6.18**	$ 3.89
Royalties	**0.65**	1.03	**1.47**	0.85
Hedging	**–**	(0.02)	**–**	(0.01)
Operating costs	**0.70**	0.61	**0.59**	0.60
Netback	**$ 1.99**	$ 3.10	**$ 4.12**	$ 2.45

TOTAL UPSTREAM NETBACKS (1)

Per boe	Three months ended September 30 2001	Three months ended September 30 2000	Nine months ended September 30 2001	Nine months ended September 30 2000
Sales revenue	**$ 25.50**	$ 33.58	**$ 29.89**	$ 30.11
Royalties	**4.08**	5.81	**5.56**	4.72
Hedging	**–**	2.20	**–**	2.70
Operating costs	**6.54**	5.66	**6.24**	5.30
Netback	**$ 14.88**	$ 19.91	**$ 18.09**	$ 17.39

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

The Company's total upstream operating costs increased $74 million (76 percent), from $97 million during the third quarter of 2000 to $171 million during the third quarter in 2001. Higher unit operating costs in the third quarter of 2001 compared with the third quarter of 2000 were primarily attributable to the properties acquired effective August 25, 2000 which have a higher proportion of shallow natural gas and mature waterflood operations.

The increase in upstream operating costs for the first nine 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 $83 million from $102 million in the third quarter of 2000 to $185 million in the third quarter of 2001. Total upstream DD&A was $7.30/boe during the third quarter of 2001 compared with $6.05/boe during the same period in 2000. The higher DD&A per boe in the third quarter of 2001 reflect the properties acquired effective August 25, 2000.

Midstream

Midstream EBITDA increased $22 million (39 percent), from $57 million in the third quarter of 2000 to $79 million in the third quarter of 2001. Midstream EBITDA increased $181 million (122 percent), from $148 million in the first nine months of 2000 to $329 million in the first nine months of 2001.

UPGRADING OPERATIONS

		Three months ended September 30		Nine months ended September 30	
		2001	2000	**2001**	2000
Gross margin		**$ 80**	$ 67	**$ 355**	$ 168
Operating costs		**35**	39	**157**	103
Other expenses(recoveries)		**4**	(2)	**15**	(6)
EBITDA		**41**	30	**183**	71
DD&A		**5**	5	**13**	12
Operating profit (EBIT)		**$ 36**	$ 25	**$ 170**	$ 59
Selected operating data:					
Upgrader throughput (1)	(mbbls/day)	**74.7**	71.9	**74.7**	67.8
Synthetic crude oil sales	(mbbls/day)	**66.5**	66.1	**62.8**	59.0
Upgrading differential	($/bbl)	**13.18**	11.00	**18.01**	9.74
Unit margin	($/bbl)	**12.98**	10.91	**20.68**	10.38
Unit operating cost	($/bbl)	**5.12**	5.93	**7.71**	5.55

(1) Throughput includes diluent returned to the field.

UPGRADING EBITDA VARIANCE ANALYSIS

Three months ended September 30, 2000	$	30
Differential		13
Operating costs-energy		3
Operating costs-non-energy		1
Other		(6)
Three months ended September 30, 2001	**$**	**41**
Nine months ended September 30, 2000	$	71
Volume		10
Differential		177
Operating costs-energy		(47)
Operating costs-non-energy		(7)
Other		(21)
Nine months ended September 30, 2001	**$**	**183**

Upgrading operations accounted for half of the increase in Midstream EBITDA in the third quarter of 2001 as compared with the third quarter of 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 lower energy related operating costs.

The positive variance in upgrading EBITDA for the first nine months of 2001 as compared with the same period in 2000 was primarily due to higher upgrading differential and sales volume partially offset by higher energy-related operating costs.

INFRASTRUCTURE AND MARKETING

	Three months ended September 30		Nine months ended September 30	
	2001	2000	**2001**	2000
Gross margin - pipeline	**$ 19**	$ 21	**$ 69**	$ 65
- other infrastructure and marketing	**21**	7	**83**	16
	40	28	**152**	81
Other expenses	**2**	1	**6**	4
EBITDA	**38**	27	**146**	77
DD&A	**5**	4	**13**	11
Operating profit (EBIT)	**$ 33**	$ 23	**$ 133**	$ 66
Selected operating data:				
Aggregate pipeline throughput (mbbls/day)	**498**	508	**544**	496

Infrastructure and marketing operations accounted for $11 million (50 percent) of the total increase in midstream EBITDA in the third quarter of 2001 compared with the same quarter in 2000. Improved EBITDA resulted primarily from higher margins for brokered commodities partially offset by lower pipeline throughput and margins. In addition, third quarter of 2000 earnings were reduced by a non-recurring $3 million loss on a contract termination.

The positive variance in infrastructure and marketing EBITDA during the first nine months of 2001 as compared with the same period in 2000 was primarily the result of the same factors as the third quarter. The cogeneration and gas storage facilities were significant contributors to the positive results in the first nine-months of 2001.

Refined Products

Refined products EBITDA increased $36 million, (150 percent), from $24 million during the third quarter of 2000 to $60 million during the third quarter of 2001. Refined products EBITDA increased $77 million, (148 percent), from $52 million during the first nine months of 2000 to $129 million during the first nine months of 2001. Higher marketing margins and higher sales volume for both light oil and asphalt products were the main reasons for the increased EBITDA for both the quarter and nine-month comparative periods.

REFINED PRODUCTS

Light oil products

	Three months ended September 30		Nine months ended September 30	
	2001	2000	**2001**	2000
Gross margin – fuel sales	**$ 25**	$ 16	**$ 63**	$ 43
– ancillary sales	**8**	9	**21**	21
	33	25	**84**	64
Operating expenses	**8**	9	**21**	22
Other expenses	**5**	2	**12**	8
EBITDA	**20**	14	**51**	34
DD&A	**6**	7	**18**	17
Operating profit (EBIT)	**$ 14**	$ 7	**$ 33**	$ 17
Selected operating data:				
Number of fuel outlets			**584**	583
Fuel sales volume (millions litres/day)	**8.2**	7.7	**7.7**	7.4
Refinery throughput (mbbls/day)	**8.8**	7.9	**10.1**	8.7

Asphalt products

	Three months ended September 30		Nine months ended September 30	
	2001	2000	**2001**	2000
Gross margin	**$ 41**	$ 10	**$ 80**	$ 19
Other expenses	**1**	–	**2**	1
EBITDA	**40**	10	**78**	18
DD&A	**1**	1	**4**	4
Operating profit (EBIT)	**$ 39**	$ 9	**$ 74**	$ 14
Selected operating data:				
Sales volume (mbbls/day)	**29.9**	27.0	**21.9**	20.2
Refinery throughput (mbbls/day)	**26.1**	25.7	**23.0**	22.9

CORPORATE

Interest Expense

Net interest expense in the third quarter of 2001 was marginally lower compared with the same period in 2000. Capitalized interest was $2 million higher in the third quarter of 2001 compared to the third quarter of 2000 due to the progression of the Terra Nova and White Rose projects.

During the first nine months of 2001 net interest expense was $12 million higher than the same period in 2000. Capitalized interest was $5 million higher due to the progression of the Terra Nova and White Rose projects. The first nine months of 2000 interest expense included $9 million of expenses related to the partial redemption of the Husky Terra Nova Finance 8.45 percent senior secured bonds. The Company's average interest rate during the first nine months of 2001 was approximately 6.99 percent compared with 7.86 percent for the same period of 2000.

Foreign Exchange

The Company recorded a foreign exchange loss of $24 million during the first nine months 2001 compared with a $5 million loss during the same period of 2000 primarily due to a weaker Canadian dollar.

Income Taxes

Income tax expense was $412 million during the first nine months of 2001 compared with $198 million during the same period of 2000. Higher income tax expense 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, recorded during the second quarter. Income tax expense was marginally higher during the third quarter of 2001 compared with the third quarter of 2000.

SENSITIVITY ANALYSIS

The following table shows the annual 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 third 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	88	0.21	54	0.13
NYMEX Benchmark Natural Gas Price (1)	+ U.S. $0.20/mmbtu	40	0.10	23	0.06
Light/Heavy Crude Oil Differential (2)	+ Cdn. $1.00/bbl	(27)	(0.07)	(16)	(0.04)
Light Oil Margins	+ Cdn. $0.005/litre	15	0.04	8	0.02
Asphalt Margins	+ Cdn. $1.00/bbl	11	0.03	6	0.01
Exchange Rate (U.S. $ per Cdn. $)	+ U.S. $0.01	(40)	(0.10)	(21)	(0.05)
Interest Rate (3)	+ 1%	(4)	(0.01)	(2)	(0.01)

(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 September 30, 2001 obligations.

(4) Based on September 30, 2001 common shares outstanding of 416.2 million.

LIQUIDITY AND CAPITAL RESOURCES

Summary

During the nine months ended September 30, 2001, cash available from operating activities amounted to $1,591 million, an increase of $930 million (141 percent) compared with the same period in 2000. Cash used for investing activities during the nine-month period amounted to $1,096 million, an increase of $707 million compared with the same period in 2000. During the first nine months of 2001 cash used for investing activities comprised capital expenditures of $1,038 million, and corporate acquisitions of $125 million partially offset by sales of assets of $63 million and a $4 million reduction of other assets. During the same period of 2000 capital expenditures amounted to $438 million.

Investing Activities

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

CAPITAL EXPENDITURES

	Three months ended September 30		Nine months ended September 30	
	2001	2000	**2001**	2000
Upstream				
Exploration				
Western Canada	**$ 44**	$ 7	**$ 179**	$ 41
East Coast Canada	**16**	19	**55**	54
International	**–**	–	**1**	–
	60	26	**235**	95
Development				
Western Canada	**279**	77	**579**	174
East Coast Canada	**27**	32	**82**	98
International	**21**	–	**68**	–
	327	109	**729**	272
	387	135	**964**	367
Midstream				
Upgrader	**5**	3	**10**	8
Infrastructure and marketing	**6**	7	**36**	32
	11	10	**46**	40
Refined product	**7**	6	**17**	18
Corporate	**9**	2	**11**	13
	$ 414	$ 153	**$ 1,038**	$ 438

UPSTREAM

During the first nine months of 2001 upstream capital expenditures in Western Canada totalled $758 million. Exploration and development expenditures in the Lloydminster heavy oil area amounted to $270 million for the nine months ended September 30, 2001. Activities in the Lloydminster area included a major property acquisition in the Bolney-Celtic area of Saskatchewan. During the first nine months of 2001, 392 wells were drilled in the Lloydminster area, 360 of which were completed and equipped. Activities in the conventional oil and gas areas of Western Canada included the drilling of 510 wells, 456 of which were completed and equipped. Exploration spending in the first nine months of 2001 totalled $179 million in Western Canada or 23 percent of total Western Canada upstream capital expenditures.

The Company's exploration focus in Western Canada remains on plays extending from the Alberta foothills and deep basin through to Northwest Alberta and Northeast British Columbia. During the nine month period ended September 30, 2001, $137 million was spent on the offshore East Coast of Canada exploration and development projects, which include the Terra Nova development project and the White Rose pre-development engineering project. The Terra Nova development project is now substantially complete and production of first oil is expected by the end 2001.

During the first nine months of 2001 $69 million was spent on international projects, primarily the Wenchang offshore oil field development in China.

WELLS DRILLED

		Three months ended September 30				Nine months ended September 30			
		2001		2000		2001		2000	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net
Western Canada									
Exploration	Oil	8	8	6	5	70	68	8	7
	Gas	14	11	9	5	92	84	12	6
	Dry	3	2	2	2	32	30	2	2
		25	21	17	12	194	182	22	15
Development	Oil	214	195	104	94	456	426	266	232
	Gas	65	57	12	8	198	168	31	15
	Dry	23	23	5	4	54	52	21	16
		302	275	121	106	708	646	318	263

Midstream

Midstream capital expenditures for property, plant and equipment during the nine months ended September 30, 2001 totalled $46 million and included $25 million for a 50 percent interest in a cogeneration facility at Rainbow Lake in northern Alberta.

Refined Products

Refined products capital expenditures amounted to $17 million during the first nine months of 2001 and included $14 million for marketing outlet improvements and $3 million for various improvements at both the Lloydminster asphalt refinery and the Prince George refinery.

Financing Activities

As at September 30, 2001 the Company's outstanding long-term debt, including amounts due within one year, totalled $2,103 million, compared with $2,344 million, at December 31, 2000.

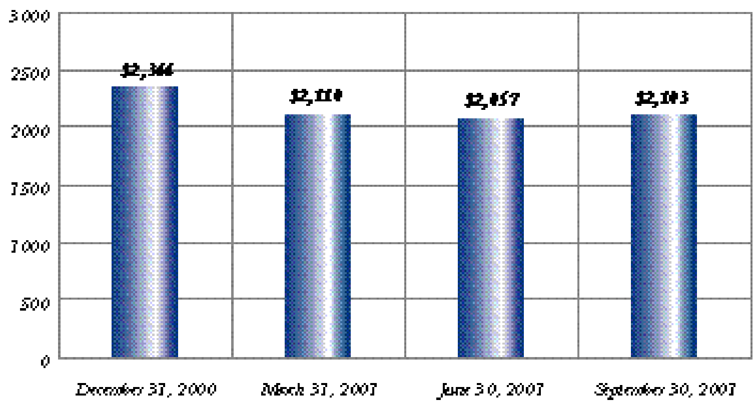
At September 30, 2001, $183 million (U.S.$116 million) had been drawn under the Company's $1 billion syndicated credit facility. Interest rates under the facility vary based on Canadian prime, Bankers' Acceptance, U.S. Libor or U.S. base rate, depending on the borrowing option selected, credit ratings assigned by certain rating agencies to the Company's senior unsecured debt and whether the facility is revolving or non-revolving. As at September 30, 2001 the Company had unutilized committed long-term lines of credit totalling $817 million.

At September 30, 2001, $13 million had been utilized under the Company's $195 million short-term credit facilities as borrowings or in support of letters of credit. The interest rates applicable to these facilities are based on Canadian prime, Bankers' Acceptance or money market rates, or U.S. dollar equivalents.

The Company 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 nine months of 2001 was approximately 5.28 percent (2000 - 5.86 percent). The Company has potential exposure to an immaterial amount of credit loss under this agreement. At September 30, 2001 $220 million of receivables had been sold under the agreement.

The Company 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)		Nine months ended September 30 2001	Year ended December 31 2000
Share price (1)	High	**$ 20.95**	$ 15.95
	Low	**$ 13.10**	$ 11.50
	Closing price	**$ 17.85**	$ 14.90
Average daily trading volume		**519**	979
Weighted average number of common shares outstanding			
	Basic	**415,914**	321,169
	Diluted	**418,409**	345,033
Number of common shares outstanding at September 30, 2001		**416,215**	

(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 the Company. The Company'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 the Company will derive therefrom.

CONSOLIDATED BALANCE SHEETS

September 30, 2001 and December 31, 2000 *(millions of dollars)*	**2001**	2000
	(unaudited)	*(audited)*
Assets		
Current assets		
Accounts receivable	**$ 475**	$ 715
Inventories	**229**	186
Prepaid expenses	**30**	27
	734	928
Property, plant and equipment – (full cost accounting)	**12,678**	11,471
Less accumulated depletion, depreciation and amortization	**4,182**	3,630
	8,496	7,841
Other assets	**160**	133
	$ 9,390	$ 8,902
Liabilities and Shareholders' Equity		
Current liabilities		
Bank operating loans	**$ 11**	$ 34
Accounts payable and accrued liabilities	**818**	1,076
Long term debt due within one year	**143**	33
	972	1,143
Long term debt	**1,960**	2,311
Site restoration provision	**210**	178
Future income taxes	**1,682**	1,231
Shareholders' equity		
Capital securities and accrued return	**341**	347
Common shares	**3,394**	3,388
Retained earnings	**831**	304
	4,566	4,039
	$ 9,390	$ 8,902
Common shares outstanding (millions)	**416.2**	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 September 30 2001	Three months ended September 30 2000	Nine months ended September 30 2001	Nine months ended September 30 2000
Sales and operating revenues	$ 1,478	$ 1,352	$ 5,004	$ 3,321
Costs and expenses				
Cost of sales and operating expenses	945	924	3,175	2,416
Selling and administration expenses	23	12	63	36
Depletion, depreciation and amortization	205	122	593	286
Interest – net	24	24	78	66
Ownership charges	–	19	–	81
Foreign exchange	7	2	24	5
Other – net	3	–	7	1
	1,207	1,103	3,940	2,891
Earnings before income taxes	271	249	1,064	430
Income taxes				
Current	5	3	15	7
Future	110	108	397	191
	115	111	412	198
Net earnings	$ 156	$ 138	$ 652	$ 232
Earnings per share				
Basic	$ 0.36	$ 0.41	$ 1.54	$ 0.76
Diluted	$ 0.36	$ 0.41	$ 1.53	$ 0.76
Weighted average number of common shares outstanding				
Basic	416.0	327.2	415.9	289.4
Diluted	419.3	327.3	418.4	289.4

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)
(unaudited)

(millions of dollars, except per share amounts)	Three months ended September 30 2001	Three months ended September 30 2000	Nine months ended September 30 2001	Nine months ended September 30 2000
Beginning of period	$ 716	$ (209)	$ 304	$ (295)
Reduction of stated capital	–	160	–	160
Net earnings	156	138	652	232
Dividends	(37)	–	(112)	–
Return on capital securities (net of related taxes)	(4)	(4)	(13)	(12)
End of period	$ 831	$ 85	$ 831	$ 85

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 September 30 2001	Three months ended September 30 2000	Nine months ended September 30 2001	Nine months ended September 30 2000
Operating activities				
Net earnings	$ 156	$ 138	$ 652	$ 232
Items not affecting cash				
Depletion, depreciation and amortization	205	122	593	286
Future income taxes	110	108	397	191
Foreign exchange – non cash	6	2	15	6
Ownership charges	–	19	–	81
Other	1	(1)	2	2
Cash flow from operations	478	388	1,659	798
Change in non-cash working capital	76	(45)	(68)	(137)
	554	343	1,591	661
Financing activities				
Bank operating loans financing – net	4	16	(23)	(13)
Long term debt issue	–	101	–	171
Long term debt repayment	(29)	(294)	(332)	(398)
Return on capital securities payment	(15)	(14)	(30)	(29)
Deferred credits	(3)	(1)	(3)	(3)
Proceeds from exercise of stock options	3	–	5	–
Dividends	(37)	–	(112)	–
	(77)	(192)	(495)	(272)
Available for investing	477	151	1,096	389
Investing activities				
Capital expenditures	414	153	1,038	438
Corporate acquisitions	91	30	125	30
Asset sales	(27)	–	(63)	(1)
Other assets	(1)	(2)	(4)	(78)
	477	181	1,096	389
Decrease in cash equivalents	–	(30)	–	–
Cash equivalents at beginning of period	–	30	–	–
Cash equivalents at end of period	$ –	$ –	$ –	$ –
Decrease (increase) in non-cash working capital				
Accounts receivable	$ 143	$ (15)	$ 249	$ (125)
Inventories	4	(2)	(43)	(57)
Prepaid expenses	(1)	13	(2)	(1)
Accounts payable and accrued liabilities	(70)	(41)	(272)	46
Change in non-cash working capital	$ 76	$ (45)	$ (68)	$ (137)
Cash taxes paid	$ –	$ 2	$ 13	$ 7
Cash interest paid	$ 33	$ 37	$ 106	$ 92
Cash flow from operations per share				
Basic	$ 1.13	$ 1.16	$ 3.93	$ 2.68
Diluted	$ 1.12	$ 1.16	$ 3.91	$ 2.68

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Nine months ended September 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 - Acquisition of Avid Oil & Gas Ltd.

During the third quarter, pursuant to an offer dated May 23, 2001, the Company acquired all of the shares of Avid Oil & Gas Ltd. ("Avid") that it did not previously hold. The acquisition has been accounted for as a purchase of Avid's net assets using the purchase method of accounting. The results of the Company include those of Avid for the period post July 4, 2001.

The allocation of the aggregate purchase price was based on the estimated fair values of Avid's net assets at July 4, 2001.

	Allocation
Net assets acquired	
Working Capital	$ (16)
Property, plant and equipment	191
Deferred credits	(3)
Future income taxes	(46)
Long-term debt	(21)
	$ 105
Consideration	
Shares acquired	$ 83
Shares previously held	22
	$ 105

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	402,368	6
– warrants	9,842	–
Balance at September 30, 2001	**416,215,293**	**$ 3,394**

Note 3 – Share Capital (Continued)

Options to purchase common shares have been awarded to directors, officers and certain other employees. At September 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 September 30, 2001, there were 9,014,921 stock options outstanding at a weighted average exercise price of $13.83 per share with a weighted average life of four years. 3,136,075 of the options were exercisable as of September 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 Financial Information

	Upstream		**Midstream**				**Refined**		**Corporate**			
			Upgrading		Infrastructure & Marketing		**Products**		**and eliminations**		**Total**	
(millions of dollars)	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Three months ended September 30												
Sales & operating revenues	$ 557	$ 438	$ 255	$ 287	$ 796	$ 548	$ 429	$ 399	$ (559)	$ (320)	$ 1,478	$ 1,352
Costs and expenses	171	97	214	257	758	521	369	375	(534)	(312)	978	938
EBITDA	386	341	41	30	38	27	60	24	(25)	(8)	500	414
Depletion, depreciation & amortization	185	102	5	5	5	4	7	8	3	3	205	122
Interest, net	–	–	–	–	–	–	–	–	24	24	24	24
Ownership charges	–	–	–	–	–	–	–	–	–	19	–	19
	185	102	5	5	5	4	7	8	27	46	229	165
Earnings (loss) before income taxes	201	239	36	25	33	23	53	16	(52)	(54)	271	249
Current income taxes	–	–	–	–	–	–	–	–	5	3	5	3
Future Income taxes	–	–	–	–	–	–	–	–	110	108	110	108
Net earnings (loss)	$ 201	$ 239	$ 36	$ 25	$ 33	$ 23	$ 53	$ 16	$ (167)	$ (165)	$ 156	$ 138
Cash flow from operations	$ 386	$ 341	$ 41	$ 30	$ 38	$ 27	$ 60	$ 24	$ (47)	$ (34)	$ 478	$ 388
Capital expenditures – Three months ended September 30	$ 387	$ 135	$ 5	$ 3	$ 6	$ 7	$ 7	$ 6	$ 9	$ 2	$ 414	$ 153
Identifiable assets – As at September 30	$ 7,172	$ 6,334	$ 572	$ 576	$ 393	$ 354	$ 319	$ 324	$ 934	$ 995	$ 9,390	$ 8,583
Nine months ended September 30												
Sales & operating revenues	$ 1,821	$ 917	$ 739	$ 710	$ 3,227	$ 1,542	$ 1,075	$ 983	$ (1,858)	$ (831)	$ 5,004	$ 3,321
Costs and expenses	470	216	556	639	3,081	1,465	946	931	(1,784)	(793)	3,269	2,458
EBITDA	1,351	701	183	71	146	77	129	52	(74)	(38)	1,735	863
Depletion, depreciation & amortization	535	230	13	12	13	11	22	21	10	12	593	286
Interest, net	–	–	–	–	–	–	–	–	78	66	78	66
Ownership charges	–	–	–	–	–	–	–	–	–	81	–	81
	535	230	13	12	13	11	22	21	88	159	671	433
Earnings (loss) before income taxes	816	471	170	59	133	66	107	31	(162)	(197)	1,064	430
Current income taxes	–	–	–	–	–	–	–	–	15	7	15	7
Future income taxes	–	–	–	–	–	–	–	–	397	191	397	191
Net earnings (loss)	$ 816	$ 471	$ 170	$ 59	$ 133	$ 66	$ 107	$ 31	$ (574)	$ (395)	$ 652	$ 232
Cash flow from operations	$ 1,351	$ 701	$ 183	$ 71	$ 146	$ 77	$ 129	$ 52	$ (150)	$ (103)	$ 1,659	$ 798
Capital expenditures – Nine months ended September 30	$ 964	$ 367	$ 10	$ 8	$ 36	$ 32	$ 17	$ 18	$ 11	$ 13	$ 1,038	$ 438
Identifiable assets – As at September 30	$ 7,172	$ 6,334	$ 572	$ 576	$ 393	$ 354	$ 319	$ 324	$ 934	$ 995	$ 9,390	$ 8,583

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
tcf	trillion cubic feet
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 Tuesday, October 30, 2001 at 4:15 p.m. Eastern time to discuss Husky's third quarter results. To participate, please dial 1-800-252-8295 beginning at 4:05 p.m. Eastern time. Media are invited to participate in the call on a listen-only basis by dialing 1-866-503-1971 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 19777855. The PostView will be available until Tuesday, November 6th.

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