



October 27, 2005

For immediate release

Husky Energy Plans to Build Second Ethanol Facility

Calgary, Alberta - Husky Energy announced today that it will proceed with the construction of a major ethanol facility on the site of its existing plant at Minnedosa, Manitoba. The new plant, to be constructed at an estimated cost of \$145 million, will have a production capacity of 130 million litres of ethanol per year. The plant will replace the existing 25-year-old, 10 million litres per year facility, and is scheduled to be fully operational during mid-2007.

The new Minnedosa plant will be Husky's second major ethanol facility in Western Canada. The Company is currently building a 130 million litres per year facility adjacent to its heavy oil upgrader at Lloydminster, Saskatchewan. The Lloydminster plant is anticipated to be operational in the second quarter of 2006.

The new plant will utilize about 350,000 tonnes of wheat per year to produce 130 million litres of ethanol and approximately 126,000 tonnes of Distillers Dried Grains with Solubles (DDGS), a high protein, non-animal based livestock feed.

The proposed plant will be built using the latest technology to enhance environmental performance. Husky has incorporated a number of environmental control measures and technologies in the facility's design, including baghouses in the grain receiving and milling operations, state-of-the-art DDGS drying technology, and floating roofs on the ethanol storage tanks. The plant is eligible for \$10.4 million in funding from the Government of Canada's Ethanol Expansion Program.

This is Husky's second initiative supporting Manitoba's biofuel industry. In June, the Company established a \$1 million endowment at the University of Manitoba for research in biofuels, with a focus on ethanol. In addition, Husky, in conjunction with the University, is applying to establish a Natural Sciences and Engineering Research Chair (NSERC) for wheat feedstock and ethanol production technologies, which if successful, would see Husky making a further contribution of \$375,000 per year for five years to the University.

"Husky's new Minnedosa plant is another step in Husky's strategic direction to provide improved fuel quality and expand our operations to meet consumer demand," said Mr. John C.S. Lau, President & Chief Executive Officer, Husky Energy Inc. "This initiative further supports our current program of ethanol-blended fuels marketed under our Mother Nature's Fuel brand," said Mr. Lau.

Mr. Lau acknowledged the support provided by the governments of Manitoba and Canada for the development of alternate fuels. "Both levels of government should be complimented for encouraging the use of alternate fuels in Canada, and for delivering on their commitment to the economy and the environment," Mr. Lau stated.

“Husky Energy should be congratulated for this major investment in the ethanol industry,” said Premier Gary Doer. “This new plant will aid Manitoba in its plan to expand the use of clean energy alternatives to reduce greenhouse gases and to bring new economic development to rural areas. The government of Manitoba looks forward to continuing to work closely with Husky as the new plant is built.”

“The renewable fuel produced by this plant will help Canada reduce greenhouse gas emissions that contribute to climate change,” said Reg Alcock, President of the Treasury Board. “I congratulate Husky for its strong commitment to sustainability and our green energy future.”

“Husky’s announcement is good news for Minnedosa,” said Mayor of Minnedosa, Duane LaCoste. “The new ethanol plant will add further economic stability to the community, provide new jobs for our citizens as well as markets for local grain producers and a quality feed supply for livestock operations. We’ve had a very rewarding relationship with Husky and look forward to growing with the Company’s new plant.”

Ethanol is an oxygenate derived from biologically renewable sources such as grain, corn or wood waste. When added to gasoline, ethanol promotes fuel combustion, raises octane levels and prevents fuel line freezing. The use of ethanol-blended fuel also reduces carbon monoxide emissions, ozone precursors and net emissions of greenhouse gases. Natural Resources Canada has estimated that a litre of 10 percent ethanol blend can reduce greenhouse gas emissions by up to five percent compared to a litre of gasoline. Environment Canada has designated ethanol-blended gasoline as an Environmental Choice product.

Husky Energy has established itself in the market development of ethanol-blended fuel, and has received government recognition for its initiatives. Ethanol-blended gasoline is currently available at Husky and Mohawk branded service stations.

Husky Energy is a Canadian based, integrated energy and energy-related company headquartered in Calgary, Alberta. Husky Energy is publicly traded on the Toronto Stock Exchange under the symbol HSE.

Certain statements contained in this presentation, including statements which may contain words such as “could”, “expect”, “believe”, “will”, “projected”, “estimated” and similar expressions and statements relating to matters that are not historical facts are forward-looking statements and are based on Husky’s current belief as to the outcome and timing of such future events. Actual future results may differ materially. Husky’s annual report to shareholders and other documents filed with securities regulatory authorities describe the risks, uncertainties and other factors, such as changes in business plans and estimated amounts and timing of capital expenditures, and changes in estimates of future production that could influence actual results.

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