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For immediate release

Husky Energy Proceeds with Engineering for Upgrader Expansion

Calgary, Alberta – Mr. John C.S. Lau, President & Chief Executive Officer, Husky Energy Inc., announced today, that Husky will proceed with the detailed engineering to double the capacity of its Lloydminster heavy oil upgrader from approximately 80,000 barrels per day to a potential capacity of 150,000 barrels per day. This expansion will prepare Husky to process the forecasted growth from its heavy oil operations in the Lloydminster area and from its Tucker Oil Sands Project at Cold Lake, Alberta, 250 kilometres northwest of Lloydminster.

“The expansion is a key part of Husky’s continuous strategic investment and leverages our existing Upgrader and pipeline infrastructure in the Lloydminster region. The Upgrader will ensure that Husky captures the full value from increasing volumes of heavy oil production, including the new volumes from our Tucker Oil Sands Project,” said Mr. Lau. “This project will strengthen our integrated status and enhance our shareholders value.”

The preliminary estimate for the Upgrader expansion is about \$2.3 billion. Husky plans to spend approximately \$90 million to progress engineering and licensor work prior to initiating construction. Key components for the engineering include implementing licensing agreements, preparing tender packages, seeking environmental assessment approvals from regulators and developing final cost estimates. Engineering work is expected to be completed in 15 to 18 months at which time Husky will proceed with the appropriate approvals for the project.

The Upgrader was commissioned in 1992 at a cost of \$1.6 billion. Since that time, Husky acquired the remaining interest in the Upgrader and increased its throughput from its original design capacity of 54,000 barrels per day to the current capacity of 77,000 barrels per day. The Upgrader is on-schedule to reach 82,000 barrels per day by the end of 2006. The facility processes heavy oil into high quality, low sulphur synthetic crude oil to be used as feedstock for refineries in Canada and the United States.

The proposed expansion will bring Husky’s Lloydminster area processing capacity to 175,000 barrels per day including 25,000 barrels per day from its asphalt refinery. Upon completion of the expansion, Husky’s anticipated heavy oil production combined with the volumes from the Tucker Oil Sands Project makes Husky a fully integrated oil producer.

Husky’s heavy oil development program continues to focus on increasing primary and thermal production in the Lloydminster area. Heavy oil production for 2006 is expected to average 115,000 to 120,000 barrels per day. The Company’s Tucker Oil Sands Project remains on-budget and on-schedule with steam scheduled to be injected into the reservoir in mid 2006, and first oil expected to be achieved by the end of the year. Peak production is projected at over 30,000 barrels per day and is anticipated to be achieved 18 to 24 months after first oil.

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.

Forward Looking Statements – Certain statements contained in this release, 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 or information 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 potential delays or changes in plans with respect to development projects or capital expenditures, that could influence actual results. Husky disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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For further information, please contact:
Colin Luciuk
Manager, Investor Relations
Husky Energy Inc.
(403) 750-4938