February 27, 2006

Heritage Fund receives billion-dollar injection from 2005-06 surplus

Alberta's revenue invested to benefit current and future generations

Highlights of Third Quarter Fiscal Update:

- Heritage Fund receives a $1 billion deposit, in addition to $345 million for inflation proofing.
- Surplus is forecast at $7.4 billion and has been primarily allocated to capital and savings.
- The surplus is $5.9 billion above budget and $1.5 billion above the second-quarter forecast.
- Total revenue is up $7.3 billion since budget (after deducting $1.3 billion for resource rebates).
- Total expense is up $1.4 billion since budget (but down $52 million from second quarter).

Edmonton... An additional $1 billion will be invested this fiscal year in the Alberta Heritage Savings Trust Fund as part of the government's plan for investing in the future. The cash injection is a significant investment in the Heritage Fund, which had a fair value of $13.6 billion on Dec. 31, 2005 prior to this announcement.

As outlined in the Alberta government's Third Quarter Fiscal Update, record high energy prices, plus record high land lease sales contributed to a surplus forecast of $7.4 billion. This is $5.9 billion above budget and $1.5 billion above the second quarter forecast. Total revenue is forecast to be $7.3 billion higher than estimated in the budget, with a record $14.4 billion in non-renewable resource revenue. A forecasted $3.4 billion in revenue from bonuses and sales of Crown leases contributed greatly to this year's record resource revenue with two sales alone equaling revenue from all 23 sales in 2004-05.

"With the debt eliminated, we will continue to build a stronger future for Alberta through increased savings plus wise investment in priority areas such as health, education and infrastructure," said Finance Minister Shirley McClellan. "The Heritage Fund has played a key role in putting Alberta in the strong fiscal position we all enjoy today. This additional investment will help ensure the Fund continues to benefit Albertans now and in the future."

As announced in Budget 2005, and in accordance with the Alberta Heritage Savings Trust Fund Act, the province is also inflation-proofing the Heritage Fund. Total allocation for inflation proofing for this year is $345 million.

The $1 billion allocation to the Heritage Fund is the first deposit since 1987. Through the end of the third quarter, the Heritage Fund had an average rate of return of 10.3 per cent and the realized income from the Fund is now forecast at $1.2 billion for this fiscal year.

Nearly half of this year's surplus, $3.6 billion, has been set aside in the Capital Account to help pay for capital projects in future years. This includes the recent capital commitments for health, schools, post-secondary institutions and acceleration of projects in Fort McMurray and high-growth areas.

The government has also announced $1.3 billion from this year's surplus will be added to endowments. This includes $750 million for the Advanced Education endowment, $200 million to the Medical Research Endowment Fund, $250 million to the Scholarship Fund and $100 million to the Science and Engineering Research Endowment Fund. Approximately $1.6 billion remains unallocated in the Sustainability Fund,
bringing the forecast year-end assets in this Fund to $4.1 billion.

Expense is forecast at $27.2 billion, down $52 million from second quarter but up $1.4 billion from budget. Expense increases over budget include natural gas rebates ($441 million); additional capital grants to health authorities, schools and community facilities ($521 million); and disaster/emergency assistance ($319 million).

Oil prices for the fiscal year are expected to average US$60 per barrel and natural gas prices to average Cdn$8.40 per gigajoule. The oil price forecast is unchanged from second quarter, while the gas forecast is down by 10 cents per gigajoule.

Released with the fiscal update were the Alberta Heritage Savings Trust Fund Third Quarter Update and the Third Quarter Activity Report.

The activity report outlines some of the efforts made to support the government's vision of a vibrant and prosperous province where Albertans enjoy a superior quality of life and are confident about the future for themselves and their children.

Summary ($ millions)

<table>
<thead>
<tr>
<th></th>
<th>Budget 2005-06</th>
<th>3rd Quarter Forecast</th>
<th>Change from Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$27,346</td>
<td>$34,606</td>
<td>$7,260</td>
</tr>
<tr>
<td>Expense</td>
<td>$25,826</td>
<td>$27,226</td>
<td>$1,400</td>
</tr>
<tr>
<td>Net Revenue (surplus)</td>
<td>$1,520</td>
<td>$7,380</td>
<td>$5,860</td>
</tr>
<tr>
<td>Non-Renewable Resource Revenue</td>
<td>$7,680</td>
<td>$14,362</td>
<td>$6,682</td>
</tr>
<tr>
<td>Oil Price (WTI US$/bbl)</td>
<td>$42.00</td>
<td>$60.00</td>
<td>$18.00</td>
</tr>
<tr>
<td>Natural Gas Price (Cdn$/GJ)</td>
<td>$5.60</td>
<td>$8.40</td>
<td>$2.80</td>
</tr>
</tbody>
</table>

Attachment:

Backgrounder - Alberta Heritage Savings Trust Fund

Media enquiries may be directed to:

Ryan Cromb
A/Director of Communications
Alberta Finance
(780) 427-5364
To call toll-free within Alberta dial 310-0000.

This news release is available on the Alberta Finance homepage at: http://www.finance.gov.ab.ca

Backgrounder

February 27, 2006

Alberta Heritage Savings Trust Fund

Third Quarter Update

- As reported in the Heritage Fund's 2005-06 Third Quarter Update, the Fund's fair value (an estimate of what the assets in the Heritage Fund would receive if they were sold) stood at $13.6 billion at Dec. 31, 2005. This is prior to this fiscal year's $1 billion deposit into the Heritage Fund.
- The Heritage Fund is forecast to have a book value (the price at which assets were acquired) of $13.4 billion at the end of this fiscal year, an increase of $2.1 billion from March 31, 2005. The increase includes this quarter's $1 billion allocation to the Heritage Fund, $345 million for inflation proofing, and $750 million for the Advanced Education endowment.
- For the first nine months (April to December), the Heritage Fund had an average rate of return of 10.3 per cent.
- Since 1976, the Heritage Fund has provided more than $28 billion for Albertans' priorities, including health care, education and capital projects.

Heritage Fund Historical Summary

- The Alberta Heritage Savings Trust Fund was established in 1976 with three objectives: to save for the future, to strengthen and diversify the economy, and to improve the quality of life of Albertans.
- The Heritage Fund began with an initial $1.5-billion investment, and from 1976 to 1983, 30 per cent of the province's non-renewable resource revenue was directed to the Fund each year.
- In 1982-83, following the federal government's National Energy Program (NEP), the provincial government began transferring income earned by the Heritage Fund to the General Revenue Fund. In 1983, the government also reduced the annual transfer of non-renewable resource revenue to the Heritage Fund to 15 per cent.
- By 1987, about $12 billion had been transferred to the Heritage Fund. In 1987, faced with deficits and the collapse of world oil prices, the Alberta government stopped transferring non-renewable resource revenue to the Heritage Fund.
- From 1986-87 to 1993-94, the province incurred deficits totaling $20 billion. During this period, and for the following 10 years as this debt was repaid (1994-95 to 2004-05), transfers to the Heritage Fund were stopped. Income earned by the Fund was used to support services to Albertans.
- With the accumulated debt eliminated, the government began inflation-proofing the Heritage Fund in 2005. In addition, The Access to the Future Act established an endowment fund within the Heritage Fund to benefit advanced education.
- The $1 billion from the third quarter is the first deposit into the Heritage Fund since 1987.

- 30 -

This backgrounder is available on the Alberta Finance homepage at: http://www.finance.gov.ab.ca

Additional information on the Heritage Fund is available at www.albertaheritagefund.com