TRANSALTA CORPORATION

1994

annual report

TRANSALTA CORPORATION has two principal subsidiaries: TransAlta Utilities Corporation and TransAlta Energy Corporation.

- **TransAlta Utilities** conducts regulated electric utility operations in Alberta, Canada – serving more than 1.7 million people directly and indirectly. TransAlta Utilities has a total net generating capability of 4,476 megawatts of electricity and owns more than 100,000 kilometres of operating transmission and distribution power lines.
- **TransAlta Energy** is in the business of electricity generation, thermal energy supply and electricity distribution outside Alberta. TransAlta Energy owns and operates two cogeneration plants in Ontario, Canada, and has interests in a 1,400-megawatt hydroelectric facility in Argentina and in two electricity distribution companies in New Zealand.

TRANSALTA CORPORATION

- TRANSALTA UTILITIES *(100%)**
  - TransAlta Fly Ash Corporation *(100%)*
  - Kanelk Transmission Company Limited *(100%)*
  - Farm Electric Services Ltd. *(100%)*
- TRANSALTA ENERGY *(100%)*
  - Hidroneuquén S.A. *(27%)*
  - Capital Power *(49%)*
  - EnergyDirect Ltd. *(20%)*
  - TransAlta Enterprises *(100%)*

**TransAlta Corporation owns all common shares. Preferred shareholders account for three per cent of the voting shares.*

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SHAREHOLDERS' MEETING *Shareholders are invited to attend the Annual Meeting at 10 a.m. on Friday, May 12, 1995 at the Westin Hotel, 4th Avenue and 3rd Street S.W., Calgary, Alberta. For shareholder information please call 1-800-387-3598 toll free in Canada or (403) 267-7301 in Calgary or outside Canada.*

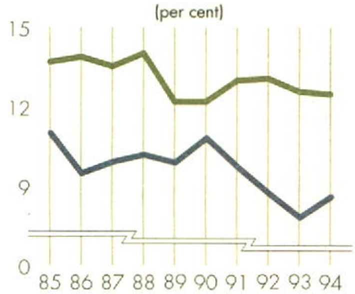
IN 1994 TRANSALTA

- Undertook a commitment to avoid rate increases to its Alberta customers until at least the end of 1996, while continuing to earn a competitive rate of return for shareholders.
- Worked with government and other industry stakeholders to propose significant changes to the regulatory structure of the Alberta electric utility industry, including mitigating the disadvantages to TransAlta customers of the Electric Energy Marketing Act.
- Made a commitment to stabilize the corporation's net greenhouse gas emissions at 1990 levels by the year 2000.
- Completed construction of the third and fourth units of a 1,400-megawatt hydroelectric facility in Argentina.
- Purchased an interest in an electricity and natural gas distribution company that serves a region adjacent to New Zealand's capital city, Wellington.
- Reached agreement with Wellington City Council to acquire an interest in the city's electricity distribution company.
- Finalized contracts for cogeneration plants in Windsor, Ontario, and Auckland, New Zealand.

highlights

for 1994

Return on Common Shareholders' Investment compared with Interest Rates (per cent)

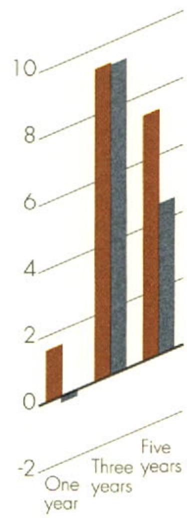


Return on common equity
Yield on long-term Government of Canada Bonds

(In millions except return on common shareholders' investment and common share data)

	1994	1993	*Increase (Decrease)* 1993-94
Electric energy sales – regulated (kilowatt hours)	27,450	25,819	1,631
Electric energy sales – non-regulated (kilowatt hours)	1,344	1,256	88
Electric revenue – regulated (net)*	$ 1,176.9	$ 1,133.1	$ 43.8
Energy revenue – non-regulated	84.1	75.2	8.9
Earnings before financing charges	384.4	387.8	(3.4)
Earnings applicable to common shares	186.9	183.8	3.1
Capitalization	3,547.7	3,607.4	(59.7)
Common shareholders' equity	1,515.0	1,477.6	37.4
Capital investments	195.0	283.5	(88.5)
Return on common shareholders' investment (per cent)	12.5	12.6	(0.1)
Average common shares outstanding	158.8	158.7	0.1
Per common share data			
Earnings	$ 1.18	$ 1.16	$ 0.02
Dividends	0.98	0.98	–
Book value (year end)	9.54	9.31	0.23
Market value (year end)	14.50	15.25	(0.75)
(high)	16.25	15.50	0.75
(low)	13.13	12.63	0.50

* *After deducting charges under the Alberta Electric Energy Marketing Act and the Small Power Research and Development Act.*



Annualized Total Returns (per cent)

TransAlta Corporation
Toronto Stock Exchange 300 Index

dear shareholders,

During 1994 we strengthened our core business in Alberta in the face of continuing change and growing competition. It was also a year of expanding our investments in selected markets in Canada and internationally. In particular, it was a year of building the capabilities of our people and enhancing our business position. In 1994 we concentrated on improving our business processes, increasing the entrepreneurial capabilities of our people and expanding our ability to achieve gains in economic and environmental performance at the same time.

earnings & dividends

In 1994 TransAlta posted stable financial results. Earnings per share from the electric utility were $1.07 compared to $1.06 in 1993. Earnings from TransAlta Energy contributed $0.11 per share, an increase of $0.01 per share from 1993 – and included a one-time gain on the sale of its investment in Sherritt of $0.035 per share. Consolidated earnings of the corporation were $1.18 compared to $1.16 in 1993 and dividends on common shares remained at $0.98. We recognize the level of the dividend is an important consideration to many of our investors and we are committed to increasing earnings and sustaining the dividend.

TransAlta's total shareholder return (reflecting changes in the market price of the stock and dividends) continues to outperform the total return of the Toronto Stock Exchange 300 Index. This comparison on a one, three and five-year basis demonstrates enhanced shareholder value (graph on page one).

core business in Alberta

In Alberta our energy sales grew by 6.3 per cent, reflecting an improving economic environment within the province. To ensure TransAlta remains a leader in providing competitive energy services to Albertans, we continue to change the way we work. We are in an ongoing learning process, striving to lower our costs even further and be more responsive to customers' needs.

In April 1994 we announced our intent not to increase rates to our Alberta customers at least until the end of 1996 while continuing to earn a competitive rate of return for shareholders. We were also actively involved during the year in the government-led discussions on changing the regulatory structure of the Alberta electric industry. More information about these changes is found on page 11.

Our initiative to be more competitive led us to reduce our workforce by about 15 per cent through improved work practices. As in any major corporate downsizing and change initiative, it was not an easy time and will continue to be challenging. We acknowledge with gratitude all TransAlta people for their hard work and dedication. A recent independent survey confirms our employees understand the need to be more competitive, with 90 per cent identifying competitive issues as the top business challenge for the corporation and 79 per cent saying the changes taking place at TransAlta are necessary.

We also continued to focus on our strategy to make progress on business development and environmental performance goals at the same time. This commitment is an essential element in our

retirements & appointments:

Marshall M. Williams retired from the Board of Directors after 22 years of service. Former Chairman of the Board, President and CEO, he joined the corporation in 1954.

Ron E. Bergen, Vice-President, Administration, TransAlta Utilities and **Rick Winsor**, Regional Vice-President, Latin America, TransAlta Energy left the corporation.

We thank each of these individuals for their commitment and leadership over their years of service.

Chris Hampson was elected to the Board of Directors, filling the vacancy created by the retirement of Mr. Williams.

In 1994 **Alan C. Moon** was appointed President and Chief Operating Officer of TransAlta Energy and **Walter Saponja** was appointed President and Chief Operating Officer of TransAlta Utilities.

Jim Leslie was appointed Senior Vice-President, Sustainable Development of TransAlta Corporation.

Gary Holden was appointed Vice-President, New Zealand and Australia, TransAlta Energy. **Duane Lyons** was appointed Vice-President, Development, TransAlta Energy. **Ian Mallory** was appointed Vice-President, Latin America, TransAlta Energy. **Murray Nelson** was appointed Vice-President, Marketing and Business Services, TransAlta Utilities.

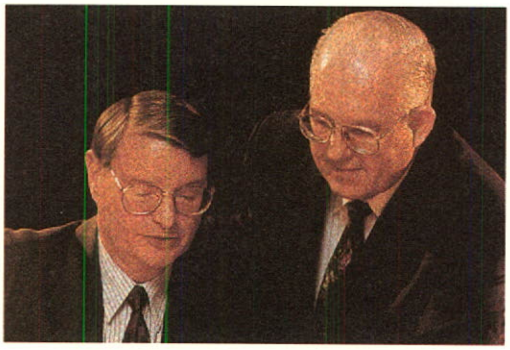
Gary C. Moore joined the corporation as Vice-President, Information Services.

strategy for growth. It allows us to identify new business opportunities such as our proposal to turn garbage from the City of Edmonton into a usable compost for our mined-land reclamation program.

independent power For some time — as a key element of our strategy for long-term growth — the corporation has been participating in the independent power business in Canada and in selected regions elsewhere in the world. Our business initiatives are based on the fundamental changes taking place in the utility business worldwide and the opportunity to capitalize on the experience gained in Alberta.

In the Canadian market, we are well-positioned. With two projects in operation, one under construction and two in the development stage, we have demonstrated that we can successfully develop, finance, build and operate independent power facilities that produce attractive returns to shareholders.

In 1993 we acquired an operating interest in a large hydroelectric generating facility in Argentina. Latin America is one region with exciting potential due to the ongoing privatization of utilities and the opening up of this growing market. New Zealand is another area of opportunity — our investments are growing as we acquired interests in two electricity distribution companies and advanced the development of a cogeneration project in Auckland. While in the short-term these international projects are unlikely to contribute significantly to earnings, we are confident that they are positioning the corporation more strongly for the future, and will add to long-term shareholder value.



Ken McCready and Harry Schaefer.

Three aspects of TransAlta's strategy for growth are proving to be critical in our success. First is the ability of our people to build relationships with well-established local partners and to export the skills developed in our Alberta business. Second is our leadership role in integrating environmental issues into our business planning, which is opening new doors of opportunity. And third, above all, in order to achieve the right business regime for success in these areas we are making moves that are carefully planned and prudently carried out.

governance TransAlta continues to work to remain in the forefront of current practices in corporate governance. We have reviewed the guidelines suggested by the Toronto Stock Exchange committee on corporate governance and we are pleased to report our practices comply with the spirit and intent of all areas of the guidelines. More information on our corporate governance practices can be found on the inside back cover.

looking to the future In Alberta the key challenge facing the corporation is the competitive pressure on costs and all aspects of service. Outside our traditional service area, the key challenge remains in selecting investments that create long-term value for shareholders. On the environmental side we have made a commitment to stabilize our net greenhouse gas emissions at 1990 levels by the year 2000.

By following our strategy of building on our core strengths, investing in our people and integrating environmental and community concerns into our business, we are confident TransAlta is in a strong position to deal with the challenges of our evolving industry. Our greatest resource is our people. Their ability to adapt and grow in a changing business environment is ensuring TransAlta creates value for both its customers and its shareholders.

On behalf of the Board of Directors, we are pleased to submit this report.

H G Schaefer

H.G. Schaefer
Chairman of the Board

K.F. McCready
President and Chief Executive Officer
February 10, 1995

Left to right: Mike Pavey (Senior Vice-President & Chief Financial Officer, TransAlta Corporation), Ken McCready (President & Chief Executive Officer, TransAlta Corporation), Walter Saponja (President & Chief Operating Officer, TransAlta Utilities), Jim Leslie (Senior Vice-President, Sustainable Development, TransAlta Corporation), and Alan Moon (President & Chief Operating Officer, TransAlta Energy)

discussion

with management

What is the main issue facing the electric utility industry?

McCready: Our industry is undergoing great change — specifically movement towards deregulation and open competition. We're seeing significant changes in places like California, New Zealand and Argentina, to name just a few. Many utilities, typically those with higher cost structures, see competition as a threat. We do not. We have a history of operating in a market where our customers have other energy options, so competitive pressures have required us to keep our cost structures low.

Saponja: In Alberta, where our core business is based, we are actively participating in shaping the future of the industry rather than waiting for change to happen to us. We see deregulation as an opportunity to grow. TransAlta remains the lowest-cost major producer of electric energy in the province. This, along with an increased emphasis on the marketing function in our organization, puts us on very solid ground. We also continue to look for ways to further reduce costs and become more efficient. Gains we make in this respect will directly benefit both our customers and our shareholders under the proposed new industry structure in Alberta.

How could shareholders benefit from this new structure?

Saponja: The restructuring proposal includes establishing incentive regulation elements to create an environment where utilities are rewarded for innovation and creativity in reducing their costs. Any benefits from these efficiency gains would be shared more equitably between shareholders and customers.

Where are the corporation's main avenues for growth?

Pavey: On the regulated side of the business in Alberta, opportunities are emerging as a result of the move towards more competition. Our history of continuous improvement puts us in a very competitive position. Deregulation is also the source of growth opportunities for TransAlta Energy. As other jurisdictions restructure their electric utility industries, we are seeing more and more avenues for growth outside Alberta and outside Canada.

Leslie: New avenues for growth are also arising out of the corporation's commitment to sustainable development — making gains on economic development goals and environmental protection goals at the same time. Our commitment is opening new doors. For example, in Alberta we are working on a project that will enhance the reclamation process on our mined lands by using composted waste from the City of Edmonton. This proposal illustrates how our people are looking for and finding ways to address environmental issues while making a positive contribution to earnings.

How do environmental concerns fit into TransAlta's strategy?

Leslie: Addressing environmental issues while making economic gains remains a vital part of our strategy. We see sustainable development as the essential context for good business decisions. In 1994 we announced our intent to reduce our net greenhouse gas contributions to 1990 levels by the year 2000. By anticipating environmental issues such as concerns over greenhouse gas emissions, we build our capability to find the least-cost projects both in Canada and abroad to meet our commitment.

How much growth opportunity is there for TransAlta Energy?

Moon: Globally there is no lack of opportunities for investment. However, we are looking for those opportunities with acceptable risk profiles that create long-term value for shareholders. In Canada we are developing cogeneration projects in addition to our two existing facilities in Ontario. Outside Canada, we have chosen not to go into some countries as they do not fit our investment criteria. Geographically, our focus is in Latin America, New Zealand, Australia and selected regions of China and India.

How does TransAlta Energy find the right investments?

Moon: We are pursuing only those opportunities that are in line with our core business of electricity generation and distribution. When we evaluate a potential investment, one of our most critical considerations is whether or not we can apply to the project the skills and practices we've built in Alberta. Our success in Ontario is an example of how we have successfully "exported" our skills outside of our core service area.

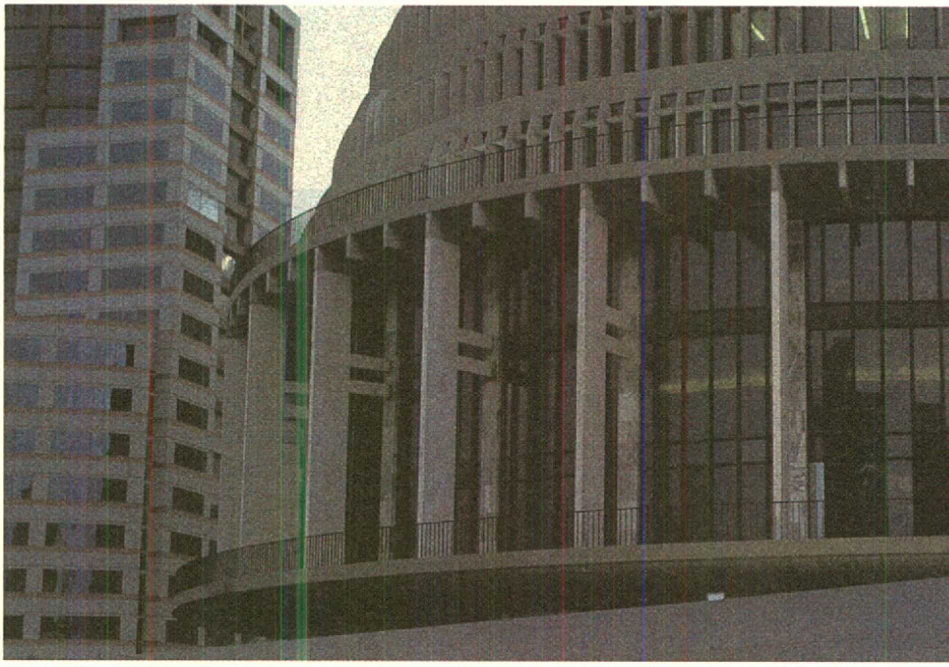
Pavey: Another important factor in our success has been establishing relationships with strong local business partners. We look for partners who have a sound operating presence in a country and are willing to share project risk through substantial investment. Financial risk management includes the use of limited or non-recourse financing where appropriate.

What must TransAlta do for continued success?

McCready: We must become more entrepreneurial. The changes in our business translate into the need to shift to a more flexible service style that meets the needs of individual customers and communities. I'm proud of the accomplishments of our people in 1994 and I believe we are well-positioned to prosper in an increasingly competitive environment. We are building on a history of prudent, step-by-step actions. We see this as a long-term business that requires energetic innovation, care and patience.

STRATEGIES
FOR

- creating new, value-adding services for Alberta customers and developing the opportunities associated with incentive regulation
- applying our core strengths – excellence in managing plant design and construction, excellence in operations and maintenance, and strong financing capability – outside the Alberta market
- developing investments in regions with acceptable risk and growing demand for electricity

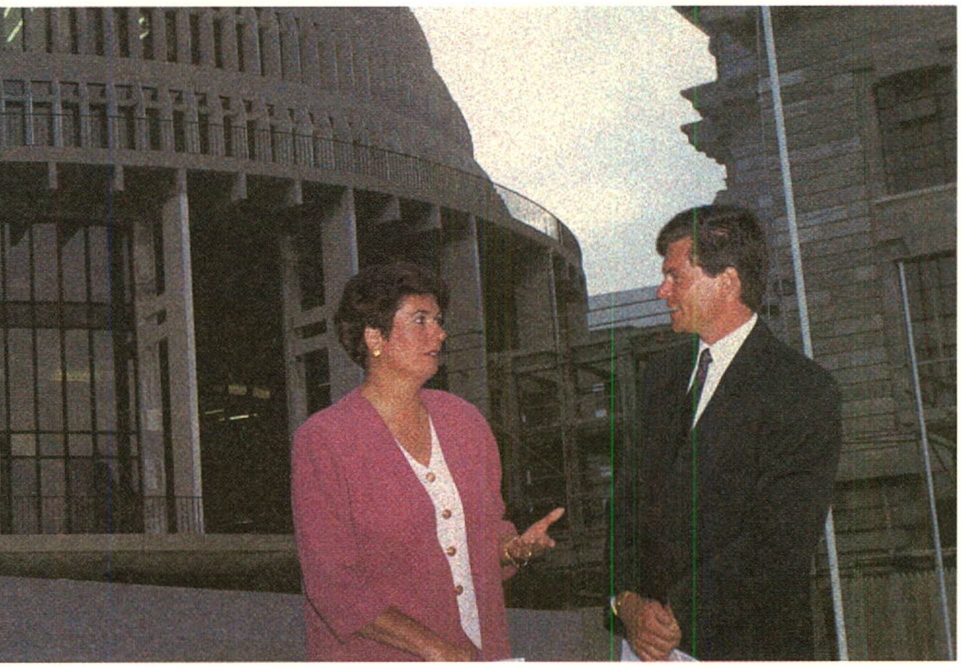


In 1994 TransAlta reached agreement with Wellington City Council to acquire a 49 per cent interest in Capital Power, the company that distributes electricity to the City of Wellington, New Zealand's capital. The City of Wellington has retained a 51 per cent interest in Capital Power.

GROWTH

"Our long-term goal is to increase value for shareholders by meeting the needs of customers."
– Ken F. McCready, President and Chief Executive Officer, TransAlta Corporation

- working with well-established local partners to reduce risk while expanding our opportunities in selected geographic regions
- building on our environmental performance and reputation to create investment opportunities

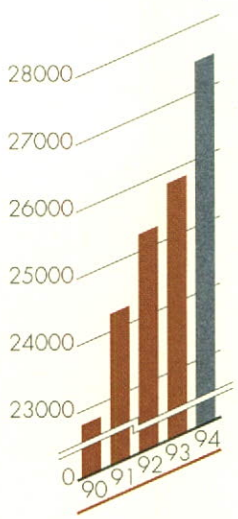


Working with well-established local partners is one of TransAlta's key strategies in achieving growth.

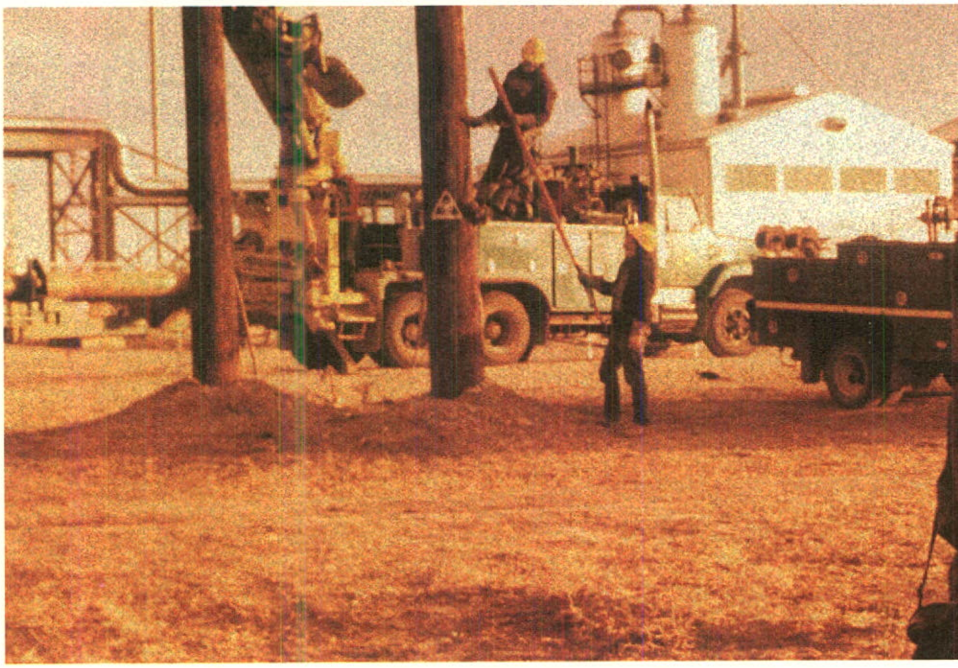
Wellington's Mayor Fran Wilde and Gary Holden (TransAlta Energy's Vice-President, New Zealand and Australia region) discuss the operations of the electricity distribution company in front of New Zealand's parliament buildings.

CORE BUSINESS REMAINS

TransAlta Utilities' energy sales were 6.3 per cent higher in 1994 than in 1993. The increase reflects additional activity in several export-related sectors of the Alberta economy – particularly oil and natural gas, forestry and petrochemicals. The corporation's sales totalled 27,450 million kilowatt hours as TransAlta Utilities continued to be the largest supplier of electric energy in Alberta.



TransAlta Utilities' Total Electric Energy Sales (millions of kilowatt hours)



becoming even more competitive

Listening and responding to the needs of customers continued to be the foundation for TransAlta Utilities' actions in 1994. Already a low-cost producer of electricity, the corporation took further action to provide its customers with even more competitive service. The corporation announced its intent not to increase rates to the end of 1996 and employees continued to find innovative ways to provide service more effectively.

STRONG

"While TransAlta continued to be the lowest-cost major producer of electricity in Alberta in 1994, the corporation took steps to become even more competitive."
– Walter Saponja, President and Chief Operating Officer, TransAlta Utilities

During 1994 a 138,000 volt line was built to meet the expanding electric needs of Amoco Canada's East Crossfield natural gas processing plant. Left to right: Teresa Brown (Right-of-way Planning Technician, TransAlta Utilities), Fred D'Souza (Transmission Designer for TransAlta Utilities), Don Chalmers (Amoco's Plant Foreman) and Larry Sibbald (TransAlta Utilities' Industrial Sales Representative for Amoco) discuss the project near Crossfield, Alberta.

Low-cost and reliable electric energy helps the corporation's industrial customers remain competitive in their markets.

well positioned in a changing industry

The electric utility industry is changing in many jurisdictions, including Alberta. What began as an examination of the fairness of the Electric Energy Marketing Act (EEMA) became a wider review of the regulatory structure of Alberta's electric utility industry. TransAlta Utilities is playing an active role in this review.

no rate increases to at least the end of 1996

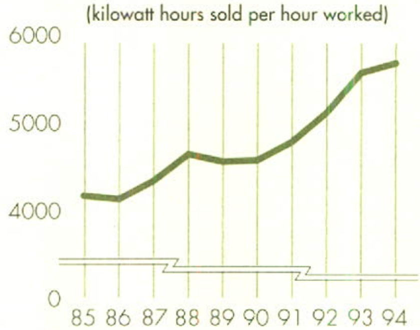
In April TransAlta Utilities announced its intent to not increase rates to customers to at least the end of 1996, while continuing to earn a competitive rate of return for investors. To achieve this objective TransAlta Utilities set out to reduce its forecast annual operating expenses by at least $30 million by the end of 1995. In 1994 staff were reduced by about 400 — this was made possible through designing more effective work practices.

safety remains a priority while productivity increases

In early 1994 the corporation was recognized for the seventh straight year by the Canadian Electrical Association for having the lowest injury accident frequency rate of any Canadian electrical utility with over 500 employees. The Canadian Electrical Association represents a large group of utility companies that provide most of Canada's electricity generation.

The corporation's 12 thermal generating plants continue to be among the most productive in Canada, according to the latest Canadian Electrical Association Generation Status Report. The report, based on 1993 data, rates 97 fossil fuel units across Canada — five of the 10 most productive are operated by TransAlta Utilities.

Productivity Increases at TransAlta Utilities (kilowatt hours sold per hour worked)



Overall labor productivity also increased as TransAlta Utilities sold 5,656 kilowatt hours of electric energy per hour worked by employees in 1994, compared with 5,553 in 1993. TransAlta Utilities maintained a high system load factor in 1994, another indicator of system productivity. TransAlta Utilities' load factor was 78.9 per cent — in comparison to the Canadian average of about 65 per cent over the last several years. Load factor is the ratio of the average amount of electric power required by customers during a designated period to the peak amount of electric power required in the same period.

evolving to serve customers better

With a view to reduce costs and increase customer satisfaction, TransAlta Utilities' transmission and distribution business units were merged during the year. The new organizational structure is designed to serve customers more efficiently by focusing on the specific needs of customer groups, being flexible in meeting those needs and reducing duplication of services among departments. Employees participated in the changes, which included analyzing and redesigning the way work is performed.

recognizing the need to be more competitive

When asked to identify the top business challenge facing the corporation, 90 per cent of employees cited competitive issues and 79 per cent said the changes taking place at TransAlta are necessary. The independent survey polled one of every four employees at the corporation.

what our customers say

TransAlta Utilities' efforts to improve service are based on listening to customers and responding to their needs. One method of listening is through an independent public attitude survey. In the 1994 survey, 90.6 per cent of the customers surveyed rated TransAlta Utilities' service as "good or excellent" compared to 90.2 per cent in 1993.

review focuses on keeping electricity costs competitive

During 1994 a multi-stakeholder committee — which included TransAlta Utilities, customer groups and other Alberta electric utilities — reviewed Alberta's electric system with two primary goals. The first goal was to create a replacement for the current EEMA cost-averaging mechanism. The second goal was the introduction of an industry structure and regulatory reforms that recognize basic industry change and preserve and enhance Alberta's competitive electricity rates.

In December the Alberta government's Department of Energy adopted the recommendations of a report based on the work of the multi-stakeholder committee.

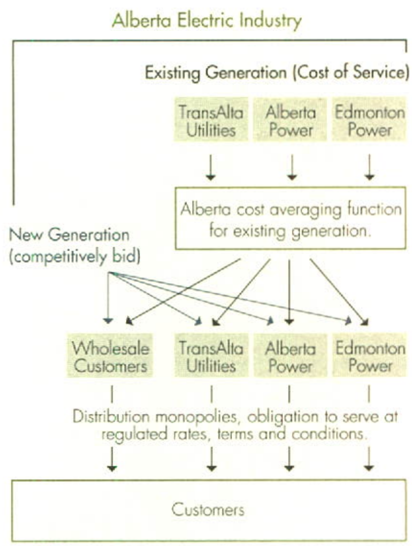
The report proposes a new industry structure that will:

□ introduce legislation that ensures all Alberta electricity consumers will continue to pay rates that support the existing generation plant investment. New generation will be provided through a competitive marketplace.

□ create a pool into which all generators sell and from which all distributors purchase electricity.

□ open competition for generation by allowing all generators of electricity to have access to the pool to market their output.

□ make transmission services available to all generators and distributors at common rates.



□ introduce regulatory changes that encourage performance-based incentives to promote additional efficiency gains and a more equitable sharing of these gains between customers and shareholders.

Transmission facilities will still be owned by the individual utilities, but administered as one province-wide system.

Implementation of the new structure is expected in January 1996 following further design, legislation and regulatory review in 1995.

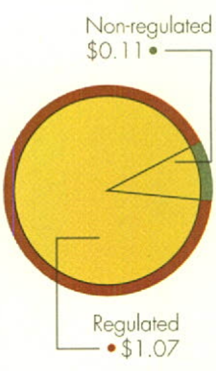
rates approved to open up transmission system

In 1992 TransAlta Utilities filed an application to provide rates for customers requesting partial services involving the corporation's transmission and distribution systems. The corporation's initial application was deferred as a result of progress in restructuring the electric industry in Alberta.

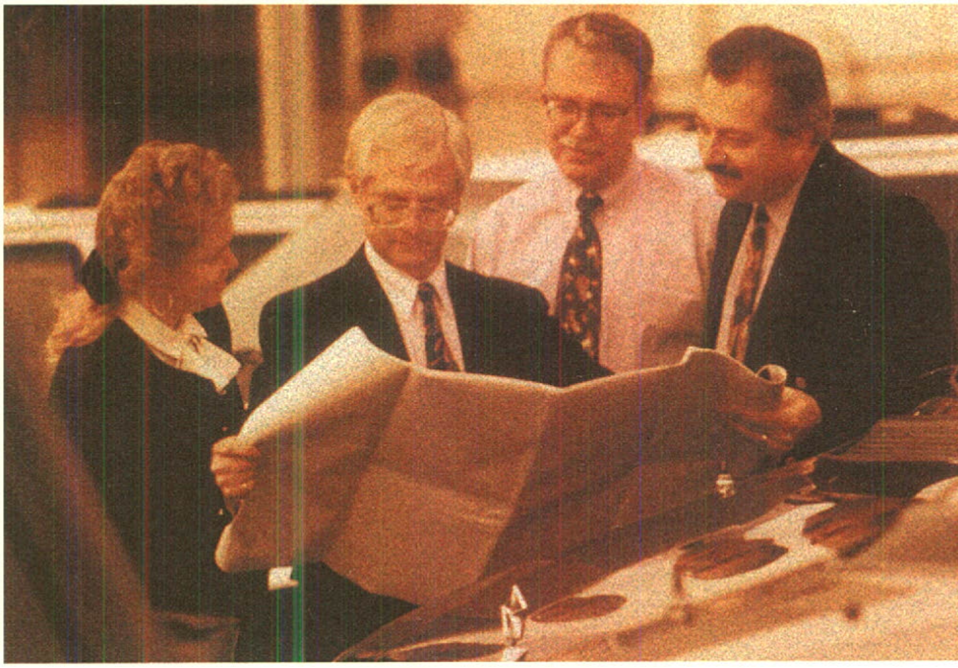
TransAlta Utilities advanced a modified application for standby and export-related transportation service rates. In 1994 those rates were approved by the Alberta Public Utilities Board, enabling independent power producers to use TransAlta's transmission system to sell energy to points outside Alberta, beginning in 1995.

FINDING SOLID GROWTH

By applying the corporation's 84 years of financing, engineering and operating experience in the electric power industry, TransAlta is successfully expanding its business. In 1994 TransAlta Energy's initiatives in the independent power business contributed $0.11 to total earnings per share, up from $0.10 in 1993. The corporation is continuing to pursue new investments that will have a positive impact on shareholder value over the longer-term.



Earnings Per Share

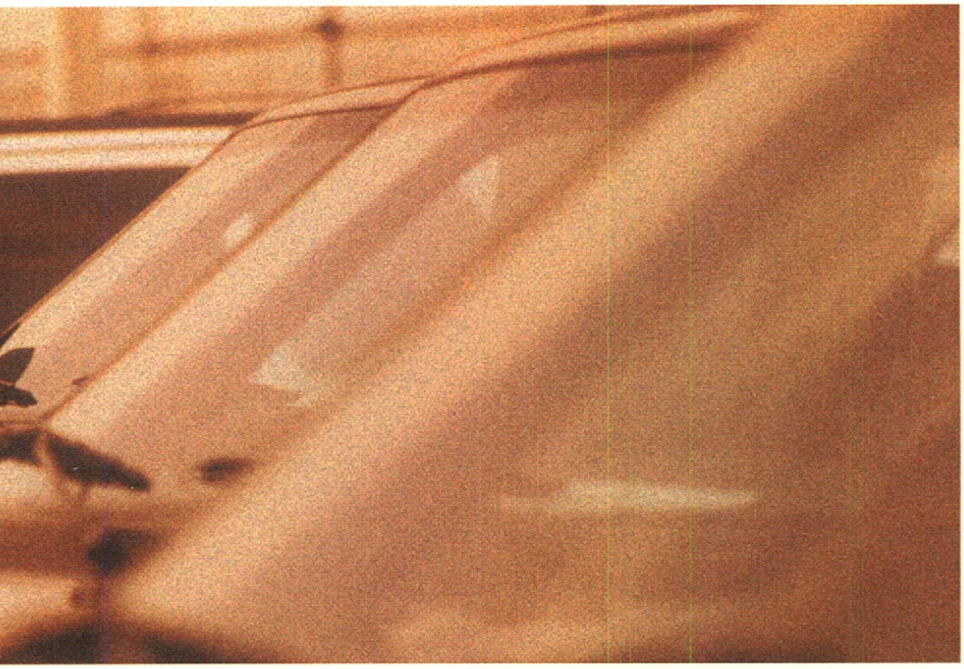


independent power operations position TransAlta for long-term growth

TransAlta Energy's existing operations in Ontario and Argentina contributed to earnings in 1994. The corporation continued to expand its international operations with acquisitions in New Zealand.

OPPORTUNITIES

"There is no lack of opportunities for investment. We are looking for those with acceptable risk profiles that can create long-term value for shareholders."
– Alan Moon, President and Chief Operating Officer, TransAlta Energy



In Windsor, Ontario, TransAlta Energy is building a cogeneration plant to supply electricity to Ontario Hydro and thermal energy in the form of steam to Chrysler Canada. Left to right: Norma Weir (Business Analyst, TransAlta Energy), Dennis Enns (Mechanical Engineer, Facility Engineering for Chrysler Canada), Steve Hodgkinson (General Manager of Project Development, TransAlta Energy) and Barry Chuddy (General Manager of Business Development, TransAlta Energy) look over project plans outside Chrysler's minivan assembly plant.

Through the cogeneration process, electricity and useful thermal energy are produced simultaneously from a single fuel source.

new business opportunities being advanced

The corporation continued to pursue independent power projects as part of its strategy of extending TransAlta's basic business of power generation, transmission and distribution. The most advanced prospects are in Ontario, Quebec and New Zealand.

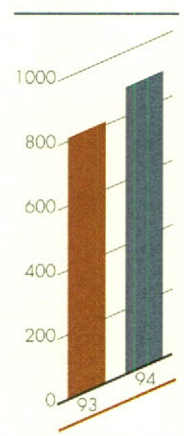
electricity sales increase in Ontario

TransAlta Energy's two cogeneration plants in Ontario completed their second full year of operation in 1994, producing electricity and thermal energy from natural gas. The two plants sold a combined total of 1,344 million kilowatt hours of electricity to Ontario Hydro during the year, up from 1,256 million kilowatt hours in 1993.

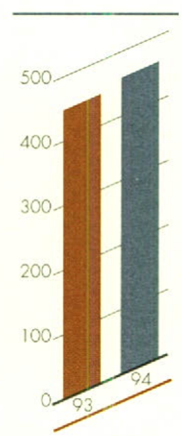
The Mississauga plant continued to supply thermal energy to the McDonnell Douglas aircraft manufacturing complex. In Ottawa, thermal energy was supplied to the member institutions of the Ottawa Health Sciences Centre and to the National Defence Medical Centre.

contracts finalized for third Ontario cogeneration plant

In 1994 TransAlta Energy finalized contracts for a cogeneration plant adjacent to Chrysler Canada's minivan assembly plant in Windsor, Ontario. The $80 million plant is scheduled to be in operation by December 1996, supplying thermal energy to Chrysler and selling 50 megawatts of electricity to Ontario Hydro under a long-term contract. Construction is scheduled to start in 1995 on the cogeneration plant.



Electricity Sales from Mississauga Cogeneration Plant (millions of kilowatt hours)



Electricity Sales from Ottawa Cogeneration Plant (millions of kilowatt hours)

construction of Piedra del Aguila completed

Construction of the third and fourth generating units of the Piedra del Aguila hydroelectric facility in Argentina was completed on schedule and on budget in 1994. The facility — located in southwest Argentina on the Limay River — now has a capacity of 1,400 megawatts, and supplies about 10 per cent of Argentina's electricity needs.

TransAlta Energy jointly operates the facility with Chilgener S.A., the second-largest electric power generation company in Chile, and Duke Energy Corp., a subsidiary of Duke Power Company, the sixth-largest investor-owned electric utility in the United States. In late 1993 the three operating partners were part of a consortium that purchased a 59 per cent interest in Piedra del Aguila S.A., an Argentine corporation that owns a 30-year concession which provides it with all the rights and responsibilities associated with the ownership and operation of the facility. TransAlta Energy's 27 per cent interest in the consortium gives it a 16 per cent interest in the facility.

stake expands in New Zealand

In the fall of 1994 power purchase and gas supply agreements for a 115-megawatt cogeneration plant in Auckland, New Zealand were finalized. The proposed $125 million Southdown cogeneration project is a joint venture (50/50) between TransAlta Energy and Mercury Energy (formerly the Auckland Electric Power Board) and will supply electricity to Mercury Energy and steam to the Southdown industrial park. Subject to environmental approvals, the project will be completed in late 1996. It will be the first independent power plant in New Zealand and is based on the design of TransAlta's Mississauga plant.

In December TransAlta Energy reached agreement with Wellington City Council to acquire 49 per cent of the common shares of Capital Energy Limited. Capital Energy owns 100 per cent of Capital Power Limited, which is New Zealand's fourth-largest electricity distribution company and serves the country's capital city, Wellington. In January 1995 the purchase was finalized with TransAlta Energy acquiring the interest for $101 million. Subsequently Capital Power put in place non-recourse financing — the proceeds of which were returned to the shareholders. This reduced TransAlta Energy's investment to approximately $79 million.

TransAlta Energy also acquired a 20 per cent interest in EnergyDirect Ltd. in December 1994. EnergyDirect, a Wellington-region distribution company, provides electricity and natural gas distribution services in a region adjacent to Capital Power's service area. The interest in EnergyDirect was purchased for $43.2 million.

Québec project delayed TransAlta Energy's Québec project, a 148-megawatt cogeneration plant in Bécancour, Québec, has been delayed as part of an agreement with Hydro-Québec. The plant will sell electricity to Hydro-Québec and steam will be sold to ICI Canada Inc. and Norsk Hydro Canada Inc. As Québec determines its future energy needs, the project start date will be finalized.

New Zealand

Crowsnest project to be bid into domestic needs TransAlta Energy and Alberta Natural Gas Limited (ANG) will, in early 1995, bid into B.C. Hydro's request for proposal to meet domestic electrical needs. The proposed facility in the Crowsnest Pass area would utilize waste heat from a compressor station on ANG's existing natural gas pipeline and supply electricity to B.C. Hydro.

international joint ventures signed TransAlta Energy has signed joint-venture agreements to develop other potential projects in New Zealand, Chile, Brazil and China. The projects represent a mix of generation including coal, natural gas and biomass and are in the early stages of development. During 1995 TransAlta Energy will complete feasibility studies and, if appropriate, complete arrangements for the sale of power and other related agreements.

In addition to the countries above, where TransAlta Energy has specific projects under study, the corporation is also investigating opportunities in Colombia and India. TransAlta Energy will continue to concentrate its efforts in Latin America, New Zealand, Australia and in selected areas of China and India. TransAlta is confident that it can build on its strength in Alberta and its initial independent power plant successes to identify and make investments in these rapidly growing markets that will add to long-term shareholder value.

composting plant proposal approved in principle During 1994 a subsidiary of TransAlta Energy — TransAlta Enterprises — submitted a proposal to the City of Edmonton to build a $70 million composting plant in the Alberta city. The proposal was approved in principle by Edmonton City Council in January 1995. The plant will recycle municipal wastes into compost. The compost will then be used by TransAlta Utilities in reclaiming mined lands near its coal-fired plants west of Edmonton. Construction of the plant is expected to begin early in 1996.

BUSINESS SOLUTIONS
FOR THE

During the year 96 per cent of TransAlta Utilities' employees participated in Environmental Citizenship Initiative workshops focused on building environmental awareness. The program was designed and delivered in partnership with the Pembina Institute for Appropriate Development, an Alberta-based environmental education, research and policy development group. A two-day conference was also held in October, with employees sharing examples of sustainable development in action.

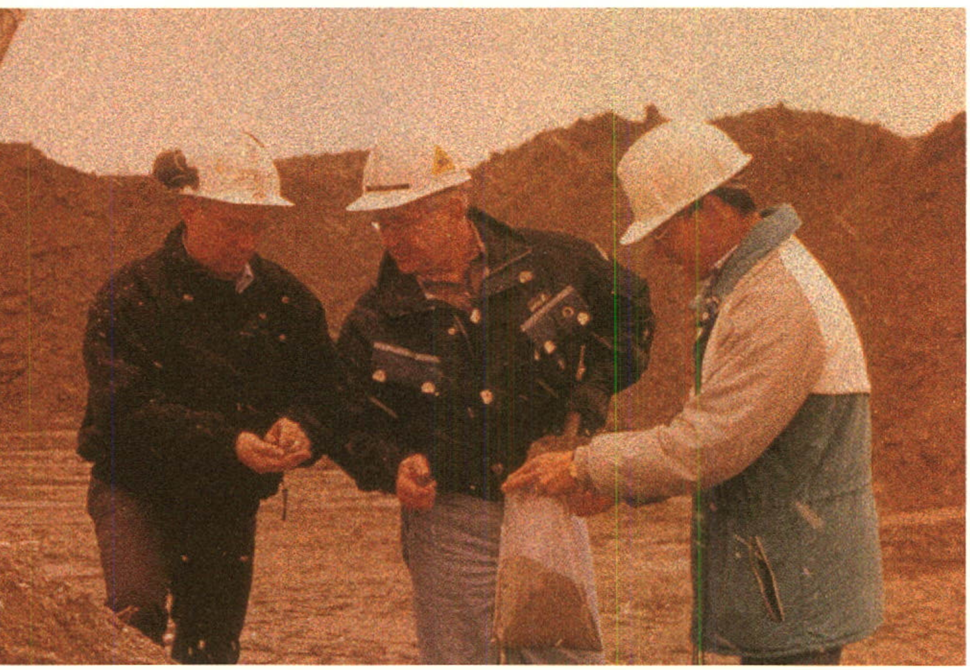
Through the actions of employees, the corporation is making progress towards sustainable development.

taking voluntary actions on environmental issues

In 1994 TransAlta announced its goal to stabilize its net contributions of greenhouse gases to the atmosphere at 1990 levels by the year 2000. The goal will be met through cost-effective measures that include: improving the efficiency of TransAlta's operations; helping customers use energy more efficiently; developing projects, in Canada or internationally through joint implementation (joint international action on climate change), that offset TransAlta's emissions by reducing the emissions of others or by capturing greenhouse gases from the atmosphere; and through the use of renewable energy purchases under Alberta's Small Power Research and Development Act (SPRDA) initiative.

ENVIRONMENT

"Making progress on environmental protection goals and economic development goals at the same time is a vital part of TransAlta's strategy for the future."
– Jim Leslie, Senior Vice-President, Sustainable Development, TransAlta Corporation



Finding other applications and markets for the ash produced at TransAlta Utilities' coal-fired plants exemplifies the corporation's commitment to sustainable development. In 1994 an agreement was reached to provide up to 200,000 tonnes of bottom ash from TransAlta's Wabamun plant to Inland Cement in Edmonton. This is in addition to the 125,000 tonnes of fly ash already being marketed. Left to right: TransAlta Utilities' Lorne Kause (Wabamun Plant Manager), Ray Langford (Supervisor of Mining at Wabamun) and Don Yuen (Senior Engineer, Business Development), gather samples of the low-alkali ash at the plant's ash lagoon.

TransAlta Fly Ash is turning a byproduct of electricity generation into a marketable commodity.

documenting environmental performance

In 1994 TransAlta began a process of publicly documenting the environmental performance of the corporation. A report published in September discusses environmental issues facing the corporation, responses to these issues and targets for progress. To obtain a copy, see the back cover of this report.

MANAGEMENT DISCUSSION

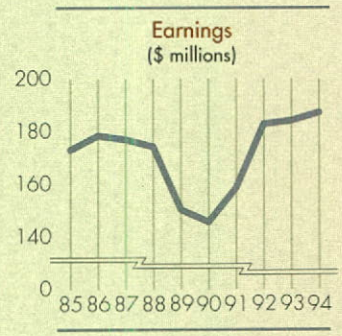
TransAlta Corporation

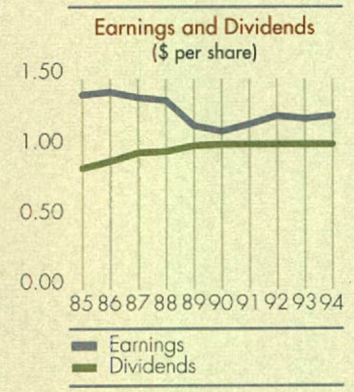
earnings increase, dividends maintained

TransAlta Corporation earnings increased 1.7 per cent in 1994 to $186.9 million, compared to $183.8 million in 1993. Earnings per share increased 1.7 per cent to $1.18 on an average of 158.8 million common shares outstanding. This is compared to $1.16 in 1993, on an average of 158.7 million common shares outstanding.

The 1994 earnings from TransAlta Utilities' operations increased $0.01 per share to $1.07. Earnings from TransAlta Energy also increased $0.01 per share to $0.11, which included a one-time gain of $0.035 per share from the sale of its investment in Sherritt Inc. TransAlta will continue to seek investments that contribute to future earnings and are complementary to its core business.

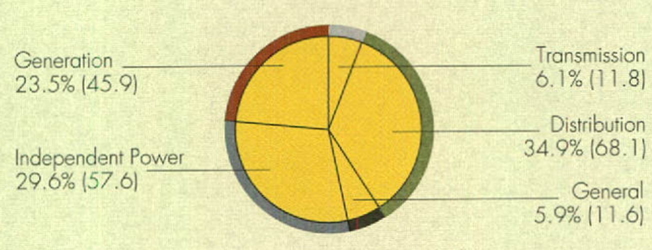
Dividends declared on common shares were $0.98 per share in 1994, the same as in 1993. This represents a relatively high payout of earnings compared to other companies traded on the Toronto Stock Exchange but is consistent with the current capital requirements of the corporation. TransAlta recognizes that the level of the dividend is an important consideration to many of its investors and is committed to sustaining the dividend and increasing earnings.





Trading Range of Common Shares ($/share)

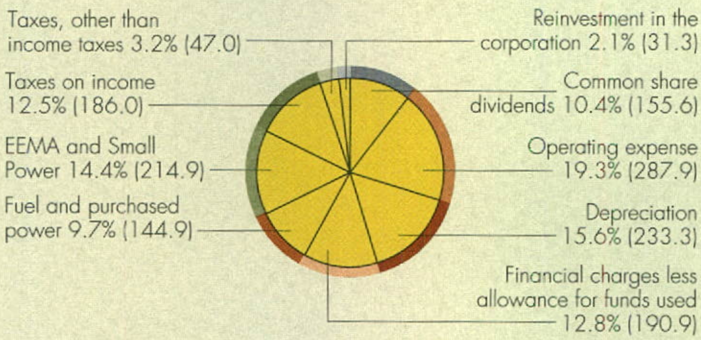
	1994	1993	1992	1991	1990
High	16.25	15.50	14.50	13.88	14.38
Low	13.13	12.63	12.00	11.88	11.13
Range	3.12	2.87	2.50	2.00	3.25



Capital Expenditures 1994 Recorded ($ millions)

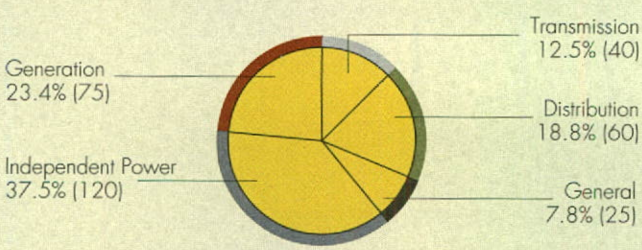
& ANALYSIS

"Our long-term strategy is to provide stable and growing earnings to ensure that the dividend is also sustainable."
– Michael Pavey, Senior Vice-President & Chief Financial Officer, TransAlta Corporation



Where the Revenue Dollar was Spent ($ millions)

1989	1988	1987	1986	1985	
15.63	14.88	15.69	14.94	13.88	High
13.25	13.25	12.50	12.88	11.63	Low
2.38	1.63	3.19	2.06	2.25	Range



Capital Expenditures 1995 Forecast ($ millions)

investments and expenditures on facilities

In 1994 TransAlta Corporation's expenditures for facilities and investments were $195.0 million, compared to $283.5 million spent in 1993. During the year TransAlta Utilities' expenditures on facilities were $137.4 million. TransAlta Energy expenditures in 1994 were $14.4 million on project development and an investment of $43.2 million in EnergyDirect.

In 1995 expenditures for facilities are forecast to total $320 million, with some $200 million for TransAlta Utilities and about $120 million for TransAlta Energy.

protection of environment vital element of business In all aspects of its activities, protection of the environment is a primary consideration for TransAlta. The environmental policy statement set out on the inside back cover of this report guides the corporation in its operations and business decisions.

The corporation proposes the development of business practices that will incorporate consideration of using scarce environmental resources within its decision-making practices, and increasing the visibility of all costs associated with waste and pollution. TransAlta believes that business can make an important contribution to the design of new environmental legislation, and continues to participate fully in public consultations with stakeholders.

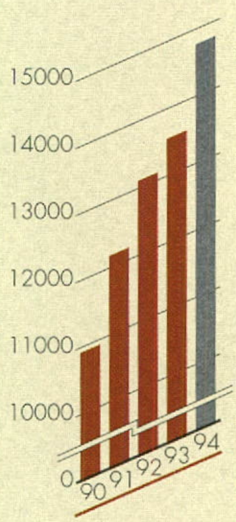
MANAGEMENT DISCUSSION

TransAlta Utilities

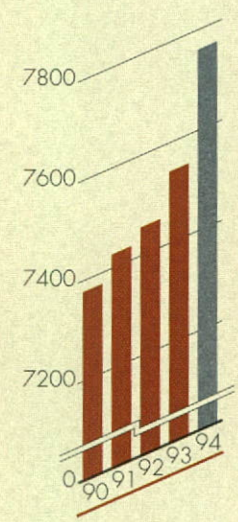
earnings up from previous year Earnings from the regulated utility operations were $170.2 million in 1994, compared to $168.7 million in 1993. The increase was primarily a result of higher revenues from increased electricity sales to several export-related sectors of Alberta's economy.

energy sales and revenues increase Energy sales for TransAlta Utilities totalled 27,450 million kilowatt-hours in 1994, an increase of 6.3 per cent from 1993. Electric revenues from regulated operations in Alberta were $1,391.8 million, an increase of 6.0 per cent from 1993. The increase in revenues was evident in all customer groups, with industrial customers accounting for the largest increase.

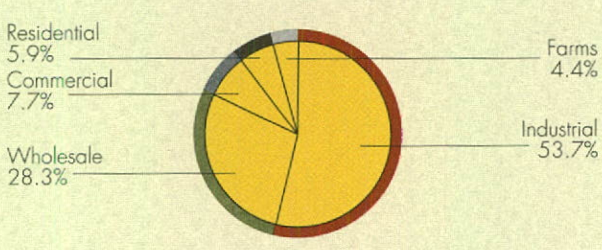
The growth in industrial sales and revenue during the year was primarily a reflection of increased activity in several export-related sectors of Alberta's economy — particularly oil and natural gas, petrochemical and forestry industries. The weakening of the Canadian dollar relative to the US dollar helped stimulate export-related activity by TransAlta customers in 1994. Weather-related sales were also a factor with colder than average temperatures in early 1994 and warmer than average summer months.



Industrial Energy Sales (millions of kilowatt hours)

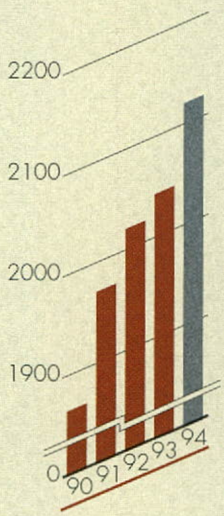


Wholesale Energy Sales (millions of kilowatt hours)

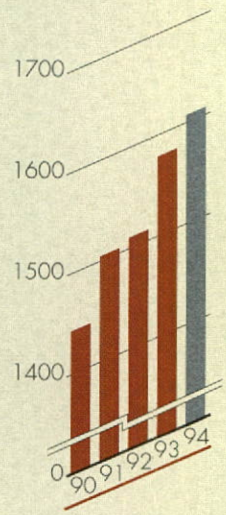


Electric Energy Sales (% of total kilowatt hours)

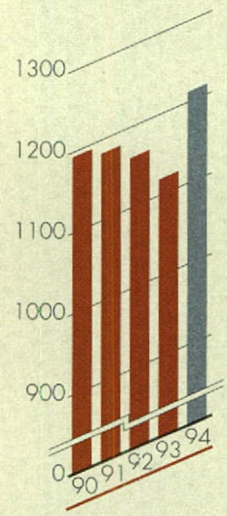
& ANALYSIS



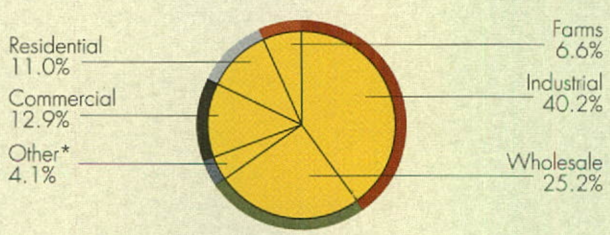
Commercial
Energy Sales
(millions of kilowatt hours)



Residential
Energy Sales
(millions of kilowatt hours)



Farm
Energy Sales
(millions of kilowatt hours)



Electric Energy Sales (% of total revenues)

**Other consists of miscellaneous revenue and the EEMA flow-through rate rider.*

growth in Alberta positively impacts energy sales In 1994 Alberta's resource-based export economy remained one of the strongest economies in Canada. The strength of the province's export-related sectors was the primary factor in TransAlta's growth in energy sales and revenues during the year.

With strong export commodity prices in 1994, Alberta industries had very high rates of capacity utilization and capital investments were advanced into 1994 from 1995. The higher than expected 6.3 per cent growth in 1994 energy sales combined with further growth of 1.6 per cent forecast for 1995, translates into an average growth of 3.9 per cent per year over the two-year period. Annual growth of energy sales is predicted to be two to three per cent per year through the balance of the 1990s.

TransAlta Utilities' largest 10 customers — all from the wholesale and industrial customer categories — represented about 43 per cent of the corporation's electric revenue in 1994. About 30 per cent of TransAlta Utilities' electric revenue is from the oil and gas, petrochemical and forestry sectors.

In 1995 the corporation is forecasting industrial sales to increase by approximately 1.2 per cent, led again by the oil and gas export-related activity in the province. TransAlta Utilities is also expecting some load growth from the chemical and forestry sectors in Alberta in 1995, driven by the export markets.

Electric Energy Marketing Act costs rise In 1994 TransAlta Utilities' customers contributed $202.9 million through the Alberta Electric Energy Marketing Act (EEMA) to reduce the power bills of customers of Alberta Power and Edmonton Power. This represented an average of 14.5 per cent of TransAlta customers' power bills and was up from $173.3 million in 1993.

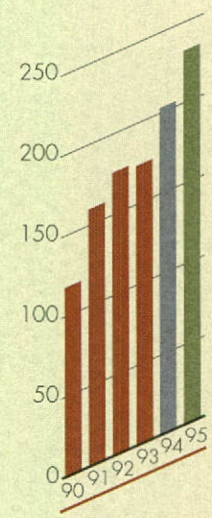
In 1995 the contribution is forecast to grow with the addition of the cost of the second unit at Edmonton Power's Genesee power plant into the EEMA cost base.

In December 1994 the Public Utilities Board rendered decisions in the EEMA 1995 Forecast and 1993 Adjustment proceedings. These decisions will increase TransAlta Utilities' EEMA net payment for 1995 to $232 million.

TransAlta Utilities sought and the Public Utilities Board approved continuation of TransAlta's EEMA flow-through rate rider in 1995 at 1994 levels. This is consistent with the corporation's intent not to raise rates prior to the end of 1996 while continuing to earn a competitive rate of return, despite the increase in TransAlta's net payments noted above.

Changes to EEMA are part of the Alberta Department of Energy's proposal for reforming the regulation of the electric industry in Alberta. These changes are expected to gradually reduce EEMA payments as existing generating plants are depreciated.

Additional information about modifications to EEMA and changes to the electric utility industry in Alberta can be found on page 11.

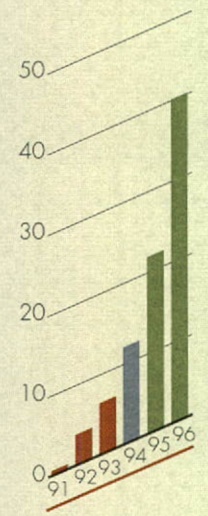


EEMA Charges
($ millions)

In 1994 TransAlta Utilities' cost of generation and transmission to the Alberta Electric Energy Marketing Act (EEMA) was 3.1 cents per kilowatt hour — 43 per cent lower than Alberta Power costs and 38 per cent lower than Edmonton Power costs.

payments to small power producers growing TransAlta Utilities' payments to small power producers for electricity supplied under the Alberta Small Power Research and Development Act increased to $12.0 million in 1994 — compared to $6.4 million paid in 1993. Under the program, TransAlta Utilities was required in 1994 to pay a minimum of 5.20 cents per kilowatt hour purchased, which will escalate annually with inflation. This rate is in excess of the Alberta Integrated System marginal cost of producing energy of about two cents per kilowatt hour in 1994.

In addition, under the Revenue Adjustment Regulation of the Act, effective January 1, 1995, TransAlta Utilities must also compensate all the small power producers for income taxes paid, to a maximum of 15 per cent of their electricity revenues.

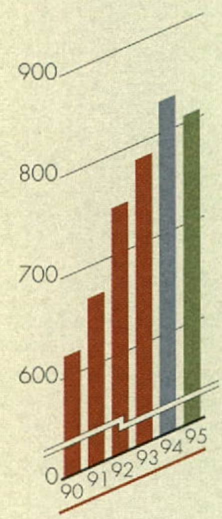


Payments to Small Power Producers
($ millions)

TransAlta Utilities' payments under the Alberta Small Power Research and Development Act are forecast to increase to about $22 million in 1995 and $40 million in 1996.

By the end of 1994, TransAlta Utilities had entered into contracts for approximately 113 megawatts of capacity, of which approximately 73 megawatts of capacity were in operation and delivering power. Approximately 20 megawatts of contracted capacity are forecast to commence delivery in 1995 and the remaining 20 megawatts of contracted capacity are forecast to commence delivery in 1996. The remaining 9.3 megawatts of capacity allocated to projects in TransAlta Utilities' service area have not yet been contracted. Total capacity province-wide is limited to 125 megawatts.

operating deductions increase TransAlta Utilities' operating deductions increased by 6.0 per cent to $830.8 million. The change from 1993 was mainly due to increased fuel and purchased power costs relating to increased energy sales and increases in operating expenses including one-time costs associated with the reduction of about 400 staff in May 1994.



Operating Deductions for TransAlta Utilities
($ millions)

In 1995 total operating deductions for TransAlta Utilities are forecast to decrease by about three per cent.

financing charges reduced during year Financing charges for TransAlta Utilities in 1994 were $182.5 million, down from $190.4 million in 1993. During 1994 TransAlta Utilities issued $80 million of Series A secured debentures with interest rates ranging from 7.50 per cent to 8.70 per cent. During the year secured debentures totalling $211.4 million were redeemed or matured and 3.3 million cumulative redeemable preferred shares Series 7.08 per cent, totalling $81.9 million, were retracted. For more detailed information see consolidated financial statement notes 6 and 7 on pages 40 and 41.

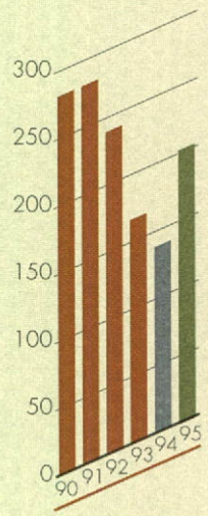
During 1994 TransAlta Utilities satisfied cash requirements for capital programs primarily through internally generated funds from utility operations.

In 1995 financing charges for TransAlta Utilities are forecast to decrease by about $3 million. The primary need for external financing in 1995 will be for refunding purposes.

	Canadian Bond Rating Service Oct. 1994	Dominion Bond Rating Service Oct. 1994
First Mortgage Bonds	A+ (High)	AA
Secured Debentures	A+	AA
First Preferred Shares	P-1	Pfd-1

TransAlta Utilities' strong ratings on its bonds and preferred shares allow access to the capital markets at very competitive rates.

capital expenditures decline Capital expenditures for TransAlta Utilities were $137.4 million, a decrease from the $165.9 million spent in 1993. The decline reflects the moderate growth in electricity sales in Alberta of two to three per cent forecast for the next several years — reducing the need for new facilities. In 1995 capital expenditures are forecast to be about $200 million.



Capital Expenditures for TransAlta Utilities
($ millions)

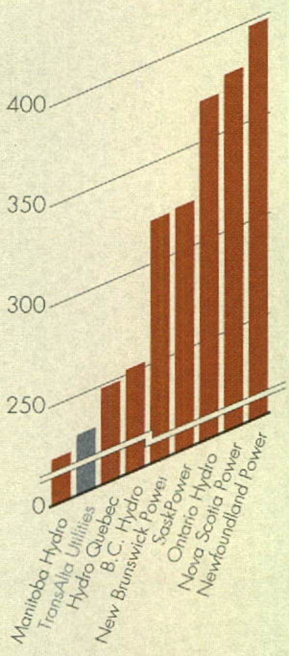
Capital expenditures for TransAlta Utilities are expected to be approximately $200 million in 1995.

rate regulation Rates for TransAlta Utilities' electric service to customers are set by the Alberta Energy and Utilities Board (the AEUB is an amalgamation of the Alberta Energy Resources Conservation Board and the Alberta Public Utilities Board effective February 1995). Rates are based on the forecast annual revenue required by TransAlta Utilities to cover all operating expenses as well as to provide an opportunity to earn a fair return on invested capital in comparison to returns earned by enterprises of similar risk. In determining rates, the AEUB uses a future test period and may approve interim rates to customers covering the projected cost of service for that year.

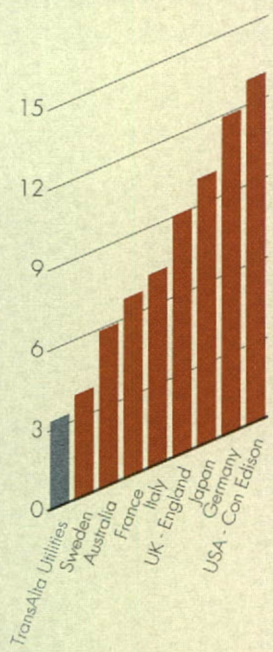
Earnings for the regulated electric utility operations are directly affected by the rates approved by the AEUB. Variations from forecast in energy sales, operating expense and financing costs also affect earnings for TransAlta Utilities.

measures taken to avoid rate increases to customers In 1994, in order to ensure the continued competitiveness of both TransAlta and its customers, the corporation announced its intent to not increase rates to customers through 1996, while continuing to earn a competitive rate of return for shareholders. To achieve this objective, the corporation set a reduction target of $30 million from forecast operating expenses.

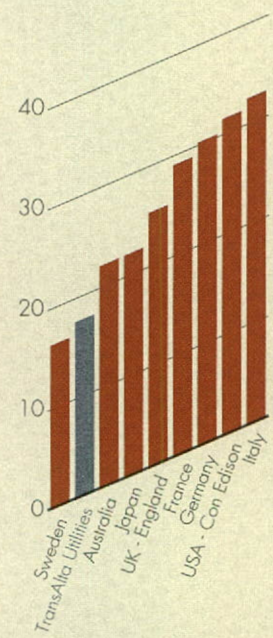
Initiatives included a significant staff reduction of about 400 employees in May 1994, made possible by reduced work load and more effective work practices. Other measures include reduced contractor and materials expense.



Canadian Industrial Electricity Bills
($ thousands Cdn per month, net)



International Industrial Electricity Prices
¢/kilowatt hour ($ Cdn)



International Domestic Electricity Prices
¢/kilowatt hour ($ Cdn)

By keeping the cost of electricity low in Alberta, TransAlta Utilities is contributing to the province's competitive position to attract new industry.

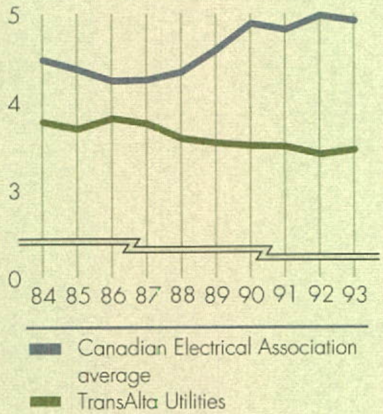
Source: TransAlta survey of electricity rates in January 1995. Based on 10-megawatt load at 90 per cent load factor.

TransAlta Utilities' industrial and domestic rates are among the lowest of the major utilities in a 1994 international survey.

Source: The Electricity Association, London, England, January 1, 1994. Industrial based on 10-megawatt load, 80 per cent load factor and 90 per cent power factor. Domestic based on annual consumption of 3,300 kilowatt hours. Rates converted to Canadian cents based on January 1, 1994 exchange rate.

In 1994 revenues collected were based on rates approved in 1993 by the Public Utilities Board. During 1993 revenues of $12.0 million were collected through an interim rate rider. This amount was subsequently refunded to customers from January 1, 1994 to October 31, 1994 as directed by the Public Utilities Board.

Performance Compared with other Electric Utilities (total unit costs in constant 1993 $ - cents/kilowatt hour)



Over the past decade, TransAlta Utilities' unit costs (cents per kilowatt hour) have decreased by 8.5 per cent in constant 1993 dollars compared with an increase of 9.8 per cent in the Canadian Electrical Association average.

outlook for TransAlta Utilities

TransAlta Utilities is an active participant in the provincial government-led restructuring of the Alberta electric utility industry. TransAlta supports shifts that recognize greater competition entering the traditional monopoly sectors, especially in generation.

New technology and fundamental industry change also have TransAlta Utilities focused on developing new energy services to be offered to customers. As well, the corporation is ensuring sustainable development continues to be an overall consideration in business decisions.

industry change in Alberta What began as a discussion about the fairness of EEMA became a wider discussion, resulting in a multi-stakeholder committee being formed to review the province's electric utility industry. The Alberta Department of Energy released a report in 1994 based on recommendations from this multi-stakeholder committee. TransAlta supports, in principle, many aspects of the proposed new structure for Alberta's electric industry and will be actively participating in its design and implementation.

In the near-term the proposal will not have any significant impact on customer rates, with 1995 being a year of design and transition. The proposal ensures that the costs of existing generation facilities will be recovered through customer rates. New generation facilities will be provided in a competitive market. Transmission facilities, existing and new, would continue to have their costs pooled with those of other transmission owners in Alberta.

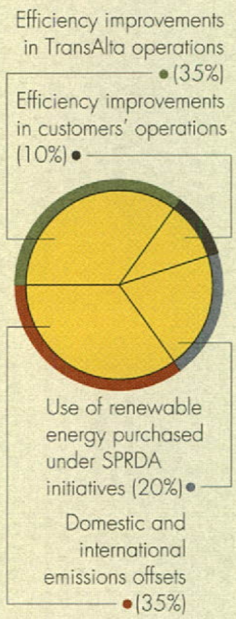
Across its 212,000-square-kilometre service area, TransAlta Utilities provides electric energy to about 1.7 million people directly and indirectly.

In the longer-term the new structure should help hold down electric rates by increasing competition among generators and establishing incentives that stimulate greater efficiency gains by the utilities which will be equitably shared between shareholders and customers. TransAlta Utilities' transmission and distribution systems would remain natural monopolies. Access to the transmission system would be open to all suppliers and distributors who would pay common transmission rates. TransAlta's distribution operations would continue to carry an obligation to serve customers.

Further information on industry change is presented on page 11 of this report.

environmental issues As a major coal-burning producer of electricity, TransAlta Utilities is paying close attention to concerns about global climate change and the emission of carbon dioxide and other greenhouse gases.

TransAlta Utilities has accepted the need to take prudent, cost-effective action to address the issue of greenhouse gases and in April 1994 announced its intention to stabilize its net contributions of greenhouse gases to the atmosphere at 1990 levels by the year 2000.



Greenhouse Gas Reduction Strategies

Additional information on TransAlta's strategy related to reducing its greenhouse gas emissions can be found on page 16.

TransAlta Utilities collects through its rates an amount to cover the future costs of reclaiming mining operations and to restore the sites of generation, transmission and distribution facilities. Estimated mining reclamation costs are recorded as operating expenses. Depreciation rates incorporate estimates of service lives and future net salvage costs. Estimated future net salvage costs include the costs to remove equipment from service and restore the sites, net of estimated recoveries from salvage.

MANAGEMENT DISCUSSION

TransAlta Energy

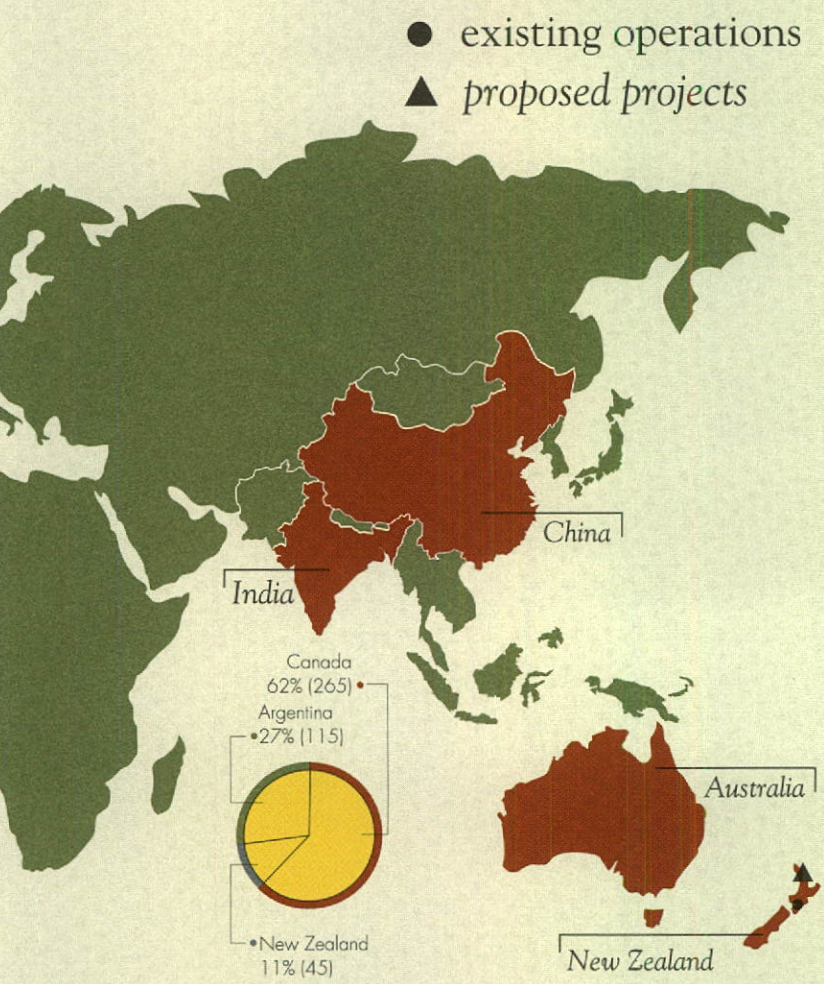
earnings improve modestly in 1994

In 1994 TransAlta Energy contributed $0.11 earnings per share, compared to $0.10 per share in 1993. The results for 1994 reflected the second full year of operations of the two Ontario independent power projects, a full year of operations of the Piedra del Aguila hydroelectric facility in Argentina and a 3.5 cent per share non-recurring gain from the disposition of the investment in Sherritt Inc.

Revenues from TransAlta Energy's two Ontario cogeneration facilities were $84.1 million in 1994, compared to $75.2 million in 1993 (the first full year of plant operations). The higher revenues reflect a seven per cent increase in electric energy sales to Ontario Hydro to 1,344 million kilowatt hours during the year. For 1995 revenues are forecast to increase to $86 million due to higher electric prices.

TransAlta Energy's total operating deductions, largely natural gas fuel costs and depreciation, were $68.6 million in 1994, compared to $56.3 million in 1993. The change reflected the increased amount of fuel required as a result of increases in energy sales, plus higher fuel prices. General operating expenses were also higher in 1994, reflecting the cost of establishing operations in Latin America and New Zealand. Operating deductions for 1995 are forecast at about $70 million.

& ANALYSIS



Investment by Geographic Area
($ millions Cdn)

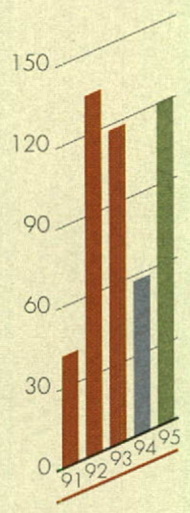
Investment income increased in 1994 to $16.2 million, compared to $9.8 million in 1993. Investment income included the $5.5-million non-recurring gain on the disposition of the investment in Sherritt Inc. and the first year of income from the corporation's investment in the Piedra del Aguila hydroelectric facility in Argentina, which totalled $6.3 million in 1994.

Investment income for 1995 is forecast to be approximately $10 million. This will include earnings from the investments in Argentina and New Zealand.

performance Providing a reliable energy supply remains a key objective for TransAlta Energy's Mississauga and Ottawa cogeneration plants. During their second full year of operation, the Ontario plants were available to supply electric and thermal energy 96 per cent of the time, an exceptional level compared to 90 per cent in 1993.

The performance of the Piedra del Aguila hydroelectric facility was negatively affected by two factors in 1994. The most influential factor was lower than expected natural gas prices as, to a large extent, the price of natural gas as a fuel for generation sets the market price of electricity in Argentina. Secondly, transmission line constraints limited the amount of electricity that could be sold into the higher-priced markets — instead the electricity was sold into lower-priced local markets. These factors could continue to exert downward pressure on earnings from the investment in Piedra del Aguila for a few years. TransAlta is currently working together with its partners to facilitate sales into the higher-priced electricity markets over the longer-term.

investments include stake in New Zealand In 1994 investments were $57.6 million, a decrease from $117.6 million spent in 1993. Investments for the year included $43.2 million on the investment in EnergyDirect in New Zealand, $2.8 million on the Windsor cogeneration project and $11.6 million on international project development activities and existing plant and equipment.



Project Expenditures for TransAlta Energy ($ millions)

As new investments are identified and developed, spending is expected to continue to vary year-by-year. TransAlta Energy's investment in EnergyDirect in New Zealand was the largest expenditure in 1994. The corporation's acquisition of an interest in Capital Power is not reflected in 1994 expenditures as the purchase was finalized in January 1995.

liquidity and financing charges

TransAlta Energy used the proceeds of the sale of the Sherritt Inc. investment and the issue of common shares in 1994 to partially repay interim financing for its equity investment in the Piedra del Aguila project. TransAlta Energy's financing charges were $14.9 million in 1994 compared to $13.3 million in 1993. In August 1994 a $250-million US credit facility was established with a syndicate of domestic and international banks. The credit facility will provide interim financing for TransAlta Energy to pursue independent power investments in Canada and abroad. In 1994 the credit facility was drawn on to purchase TransAlta Energy's 20 per cent interest in EnergyDirect and in early 1995 it was used for the investment in Capital Power.

Non-recourse financing is in place for TransAlta Energy's two Ontario cogeneration plants and the Piedra del Aguila facility. Through non-recourse financing, financial exposure is limited to the corporation's equity investment in the project. The non-recourse financing for the Ontario plants is long-term. The non-recourse financing for the Piedra del Aguila investment however, will need to be partially re-financed in 1995 and periodically thereafter. The ability to re-finance these obligations on a non-recourse basis will depend upon prevailing market conditions. In the event re-financing is not available, the corporation has the right — but not the obligation — to invest additional equity in Piedra del Aguila to fund its proportionate share of these obligations.

Through its investments outside Canada, TransAlta Energy is subject to three types of foreign currency risks — transaction, economic and translation.

Transaction risk occurs when purchases are made with currencies other than the Canadian dollar. An example of this is purchasing turbines priced in US dollars, which must be paid for in Canadian dollars. The primary method TransAlta uses to hedge against this type of risk is the use of forward contracts which lock in the exchange rate for the transaction.

Economic risk refers to a broader measure of risk from general fluctuations of foreign exchange rates and the effect these would have on the future cash flow from foreign investments. The primary method used to mitigate this risk is, to the extent it is practical, through matching foreign currency investments with borrowings in the same currency.

Translation risk relates to the variation of the value of assets, liabilities and profits recorded in the financial statements of TransAlta but denominated in a foreign currency. This exposure occurs for all of TransAlta Energy's foreign investments. This risk is also mitigated by matching foreign currency investments with borrowings in the same currency.

outlook for TransAlta Energy Applying the corporation's 84 years of engineering, operating and financing experience in the electric industry to independent power investments continues to be a key strategy for the future. The growing need for new electric energy generation in many parts of the world and the increasing number of electric utility privatizations present a significant opportunity for the corporation to grow its business.

Within Canada TransAlta Energy is presently pursuing opportunities in Ontario, Quebec and British Columbia. TransAlta Energy will continue to concentrate its efforts in Latin America, New Zealand, Australia and in selected areas of China and India. Additional information on projects in Canada and other regions is found on pages 14 and 15 of this report. In future years TransAlta Energy's investments in the electricity sector are expected to make a growing contribution to earnings. For 1995, earnings are expected to be lower than 1994 due to the one-time gain from the disposition of the investment in Sherritt Inc. in 1994 and lower earnings from Piedra del Aguila as previously discussed. TransAlta Energy's investment in Capital Power Limited (New Zealand) is expected to make an increasingly positive contribution to earnings over the next three years, as customer rates are increased to provide a fair rate of return on the investment as permitted under New Zealand regulations.

Developing opportunities outside Canada pose additional risks due to different political and economic environments. To mitigate these risks, TransAlta Energy works to diversify its operations into targeted geographic areas while assessing each investment opportunity with specific guidelines relating to the country, the project or investment and local partners.

TransAlta Energy's guidelines for investments in a particular region include pursuing opportunities in countries with growing, market-based economies and a growing demand for electric energy. Other criteria include monetary stability with acceptable inflation, and foreign exchange and currency convertibility risks. On a specific investment, TransAlta Energy's guidelines include pursuing opportunities where the corporation can be an active participant and add value through applying its engineering, operating and financing experience. The returns from a particular investment must be commensurate with overall country and project risk, with limited or non-recourse project financing where appropriate.

Working with well-established local partners is another key element in TransAlta Energy's future growth strategy. The corporation seeks local partners who have values and managerial styles compatible with TransAlta, are able to operate effectively in local social, political, legal and regulatory environments and make a significant investment of their own capital in the project. TransAlta Energy will continue to concentrate on opportunities to work with local partners to share expertise, capital and risk — and to expand its exposure to investment opportunities in the region.

As part of the corporation's commitment to sustainable development, TransAlta Energy is investigating investments that make progress on both environmental goals and economic goals. For example, the corporation is looking at alternatives such as biomass cogeneration, making use of renewable fuels to generate electricity and steam.

management responsibility In management's opinion, the accompanying financial statements have been properly prepared within reasonable limits of materiality and within the framework of generally accepted accounting principles and policies consistently applied and summarized in the consolidated financial statements. Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to February 10, 1995. Management is responsible for all information in the annual report. Financial operating data in the report are consistent, where applicable, with the financial statements.

To meet its responsibility for reliable and accurate financial statements, management has established systems of internal control which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, and that assets are safeguarded and transactions are executed in accordance with management's authorization. These systems are monitored by management and by internal auditors. In addition, the internal auditors perform appropriate tests and related audit procedures.

The financial statements have been examined by Ernst & Young, independent Chartered Accountants. The external auditors' responsibility is to express a professional opinion on the fairness of management's financial statements. The Auditors' Report outlines the scope of their examination and their opinion.

To ensure that management fulfills its responsibility for financial reporting and internal control, the Board of Directors is assisted by an Audit Committee, whose members are non-management directors. The Audit Committee meets regularly with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities, and to review the financial statements. The Audit Committee reports its findings to the Board of Directors for consideration when approving the financial statements for issuance to the shareholders. The Audit Committee also recommends, for review by the Board of Directors and approval of shareholders, the appointment of the external auditors. The internal and external auditors have full and free access to the Audit Committee.

President and Chief Executive Officer
February 10, 1995

Senior Vice-President and Chief Financial Officer

auditors' report to the shareholders of TransAlta Corporation:

We have audited the consolidated statements of financial position of TransAlta Corporation as at December 31, 1994 and 1993 and the consolidated statements of earnings and reinvested earnings and cash flows for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1994 and 1993 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Ernst + Young

Calgary, Canada
February 10, 1995

Chartered Accountants

consolidated statements of earnings and reinvested earnings

(in millions except net earnings per share)

	Note	1994	1993
		Year Ended December 31	
Electric revenue – regulated		$ 1,391.8	$ 1,312.8
Less: Alberta Electric Energy Marketing Act net charge	8	202.9	173.3
Alberta Small Power Research and Development Act charge	13	12.0	6.4
		1,176.9	1,133.1
Energy revenues – non-regulated		84.1	75.2
		1,261.0	1,208.3
Operating deductions			
Regulated			
Operating expenses		268.0	243.3
Fuel and purchased power		104.4	82.9
Taxes, other than taxes on income		47.0	47.7
Depreciation		225.4	224.1
Taxes on income		186.0	185.7
Non-regulated	10	68.6	56.3
		899.4	840.0
Operating income		361.6	368.3
Allowance for funds used during construction		6.6	9.7
Investment income	10	16.2	9.8
Earnings before financing charges		384.4	387.8
Interest charges			
Long-term debt – recourse		137.8	138.3
– non-recourse		11.7	11.0
Short-term debt		9.0	4.6
		158.5	153.9
Preferred share dividend requirements		39.0	50.1
Financing charges		197.5	204.0
Net earnings applicable to common shares	11	186.9	183.8
Common share dividends		155.6	155.5
Reinvested earnings		31.3	28.3
Opening balance		546.8	518.5
Closing balance		$ 578.1	$ 546.8
Earnings per share			
Average common shares outstanding		158.8	158.7
Net earnings per share		$ 1.18	$ 1.16

see accompanying notes

consolidated statements of financial position

(in millions)

	Note	1994	1993
			December 31
Assets			
Property			
Land, buildings, plant and equipment	2	$ 5,817.3	$ 5,729.4
Less accumulated depreciation		2,198.7	2,004.2
		3,618.6	3,725.2
Investments	3	176.6	117.7
Current assets			
Cash		58.0	–
Accounts receivable		223.3	208.7
Marketable securities	3	–	32.8
Materials and supplies at average cost		47.1	46.1
		328.4	287.6
Deferred costs	4	46.9	41.2
Total Assets		$ 4,170.5	$ 4,171.7
Future costs for small power producers' contracts	13	$ 347.6	$ 151.2
Capital and liabilities			
Common shareholders' equity			
Common shares	5	$ 914.7	$ 913.6
Contributed surplus		17.2	17.2
Reinvested earnings		578.1	546.8
Cumulative translation adjustment		5.0	–
		1,515.0	1,477.6
Preferred shares of a subsidiary	6	462.8	549.0
Long-term debt of subsidiaries			
– recourse	7	1,458.0	1,471.3
– non-recourse	7	111.9	109.5
		3,547.7	3,607.4
Current liabilities			
Bank loan and short-term notes of a subsidiary		142.8	37.1
Accounts payable and accrued liabilities		168.9	136.5
Dividends payable		47.8	49.4
Income taxes payable		7.2	19.3
Current portion of long-term debt		14.6	90.6
		381.3	332.9
Deferred credits			
Deferred income taxes		40.7	40.7
Customer and other contributions		200.8	190.7
		241.5	231.4
Total capital and liabilities		$ 4,170.5	$ 4,171.7
Obligations for small power producers' contracts	13	$ 347.6	$ 151.2

On behalf of the Board:

Director

Director

see accompanying notes

consolidated statements of cash flows

(in millions)

	Note	1994	1993
		Year Ended December 31	
Cash from operations			
Net earnings applicable to common shares		$ 186.9	$ 183.8
Operating items not using cash		232.3	238.4
		419.2	422.2
Change in non-cash working capital balances		3.7	(58.2)
Common share dividends		(155.6)	(155.5)
		267.3	208.5
Cash applied to investments			
Additions to property			
Regulated property		137.4	165.9
Less: allowance for equity funds used during construction		4.0	6.0
		133.4	159.9
Non-regulated property		9.1	4.8
		142.5	164.7
Equity investments		43.8	102.1
Proceeds on sale of marketable securities	3	(38.3)	–
Other		4.7	10.7
		152.7	277.5
Cash surplus (deficiency) before financing		$ 114.6	$ (69.0)
Financing			
Long-term financing			
Common shares		$ 1.1	$ 3.3
Long-term financing of subsidiaries			
TransAlta Utilities Corporation			
Long-term debt		80.4	350.5
Repayment of long-term debt		(220.6)	(213.5)
Redemption or purchase of preferred shares		(86.2)	(205.4)
Other		15.0	6.1
TransAlta Energy Corporation			
Long-term debt – recourse		52.1	98.5
Repayment of long-term debt			
– recourse		–	(4.3)
– non-recourse		(4.1)	(3.3)
(Decrease) increase in long-term financing		(162.3)	31.9
Short-term financing			
Increase in bank loan and short-term notes		105.7	37.1
Increase in cash		(58.0)	–
		47.7	37.1
		$ (114.6)	$ 69.0

see accompanying notes

notes to consolidated financial statements

(tabular dollar amounts in millions)

1. summary of accounting policies

a) Generally accepted accounting principles The consolidated financial statements of TransAlta Corporation ("the corporation") have been prepared by management in accordance with accounting principles generally accepted in Canada. These principles conform in all material respects with International Accounting Standards.

The corporation is incorporated under the laws of Canada and is engaged primarily in the production and sale of electric energy. Its activities are classified as one segment for financial reporting purposes.

b) Consolidation and investments The consolidated financial statements include the accounts of the corporation and all wholly-owned subsidiaries, of which TransAlta Utilities Corporation ("TransAlta Utilities") and TransAlta Energy Corporation ("TransAlta Energy") are its principal operating subsidiaries.

TransAlta Utilities owns and operates electric generation, transmission and distribution facilities in the Province of Alberta.

TransAlta Energy is engaged in Canada and internationally in the business of electricity generation, thermal energy supply and electricity distribution.

Investments in entities in which the corporation exercises significant influence are accounted for using the equity method. Other investments are carried at cost.

c) Regulation TransAlta Utilities is regulated by the Alberta Energy and Utilities Board (an amalgamation of the Alberta Energy Resources Conservation Board and the Alberta Public Utilities Board effective February 1995) pursuant to the Hydro and Electric Energy Act (Alberta); pursuant to Part II of the Public Utilities Board Act (Alberta); and is subject to the Provincial Water Power Regulations (Alberta). These acts and regulations cover such matters as rates, construction, operations, financing and accounting.

d) Allowance for funds used during construction TransAlta Utilities capitalizes an allowance for funds used during construction at the cost of capital related to utility property under construction. This amount is a non-cash item of income which will be charged and recovered in rates to customers over the service life of the assets, commencing with their inclusion in rate base.

e) Customer contributions Customer contributions to TransAlta Utilities for new service connections are included in deferred credits and amortized to earnings at a composite rate of approximately three per cent per annum.

f) Deferred costs Unamortized financing costs of TransAlta Utilities are amortized to earnings as follows:

Debt issues – over the lesser of the remaining original life or the estimated average life of the issue.

Preferred share issues – over the estimated average life of the issue.

Gains or losses realized on the purchase of debt for sinking fund purposes are amortized over the remaining life of the issue. These policies are in accordance with the method of determining TransAlta Utilities' cost of capital for regulatory purposes.

Financing costs of TransAlta Energy are amortized to earnings on a straight-line basis over the term of the related debt issue.

Costs incurred by TransAlta Energy to develop potential investments are deferred until construction of a plant commences or acquisition of an investment has been completed, at which time the costs are included in property or investments. When it has been determined that construction of a plant or an acquisition of an investment will not occur, the related development costs are included in operating expenses.

g) Property Land, buildings, plant and equipment are carried at cost. TransAlta Utilities provides for depreciation on a straight-line basis using various rates as approved by the Alberta Energy and Utilities Board, based on depreciation studies prepared by TransAlta Utilities.

Independent power plants are carried at cost and depreciated on a unit-of-production basis based upon production estimated for the term of the related power sales contracts.

Depreciation rates incorporate estimates of service lives and future net salvage costs. Estimated future net salvage costs include the costs to remove plant from service, net of estimated recoveries. Estimated costs to reclaim mining properties are recorded as operating expenses primarily on a unit-of-production basis.

h) Revenue recognition Revenues are recognized on the accrual basis, which includes an estimate of the value of electricity consumed by customers to the end of the year and billed subsequently.

i) Taxes on income For federal income tax purposes, earnings from the operating activities of TransAlta Utilities are taxed by a tax allocation method under which accounting income and taxable income are equated through the timing of deductions for income tax purposes. All income taxes are paid on a current basis and no income taxes are deferred.

As directed by the Public Utilities Board, effective 1991 TransAlta Utilities adopted the taxes payable method of accounting for provincial income taxes, under which taxable income differs from accounting income through claiming deductions for income tax purposes greater than the amounts charged to earnings. The Alberta income taxes are included in operating deductions and no income taxes are deferred. Prior to 1991, the tax allocation method followed for federal income tax purposes was also followed for provincial income tax purposes.

Income taxes on earnings from construction activities of TransAlta Utilities will be recorded only when the costs of the constructed assets are depreciated.

Since there is a reasonable expectation that when income taxes become payable they will be included in rates approved by the Alberta Energy and Utilities Board and recovered from the customers of TransAlta Utilities, federal income tax reductions of $58.8 million, provincial income tax reductions of $25.6 million and income taxes on earnings from construction activities have not been recorded.

Prior to 1990, under the Public Utilities Income Tax Transfer Act (Canada) and legislation passed by the Province of Alberta, 95 per cent of the federal and 100 per cent of the provincial income taxes paid by TransAlta Utilities attributable to its electric utility operations were rebated to its customers. Effective with the 1990 taxation year rebates of provincial income tax were eliminated. Effective 1993, the amount of federal tax available for rebate was reduced from 95 per cent to 85.5 per cent.

TransAlta Energy utilizes the tax allocation method of accounting for income taxes.

j) Translation of foreign currency TransAlta Utilities' foreign denominated long-term debt is translated at the year-end exchange rate. The resulting adjustment is deferred and amortized over the remaining life of the debt. This method is in accordance with the method used in determining the cost of capital for regulatory purposes.

Monetary assets and liabilities denominated in a foreign currency are translated at the year end exchange rate. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Gains and losses are included in the determination of earnings except for the above paragraph.

TransAlta Energy's equity investments in Hidroneuquén S.A. and EnergyDirect Ltd. are considered self-sustaining and accordingly are translated into Canadian dollars using the current rate method. Gains and losses on translation of these assets and associated long-term debt are deferred in a separate component of common shareholders' equity entitled "cumulative translation adjustment".

k) Post Retirement Benefits Post retirement costs and obligations for the basic pension, the supplementary pension plan and post retirement benefits other than pensions are actuarially determined using the projected benefit method prorated on service. The estimated market value of the basic pension plan fund assets is actuarially determined based on a five year moving average.

Experience gains and losses and amounts arising as a result of changes in assumptions, plan amendments and investment and salary experience which differs from management's best estimates are amortized over the expected average remaining service life of the employee group.

2. property

December 31

	Depreciation Rates	1994 Cost	1994 Accumulated Depreciation	1993 Cost	1993 Accumulated Depreciation
TransAlta Utilities					
Hydro production	2.66%	$ 274.3	$ 121.3	$ 271.4	$ 114.1
Thermal production including coal mines	3.24% - 4.07%	2,250.9	772.1	2,220.1	707.0
Environmental control	3.58%	406.6	161.7	401.5	147.7
Transmission lines, substations and distribution systems	4.10% - 5.68%	2,263.8	972.7	2,160.6	871.5
Other	Various	398.6	155.2	419.1	156.1
Property under construction		39.5	–	82.1	–
		5,633.7	2,183.0	5,554.8	1,996.4
TransAlta Energy					
Independent power plants and equipment	unit of production	175.0	15.4	173.2	7.6
Other	10.00% - 20.00%	1.6	0.3	1.4	0.2
Property under construction		7.0	–	–	–
		183.6	15.7	174.6	7.8
		$ 5,817.3	$ 2,198.7	$ 5,729.4	$ 2,004.2

TransAlta Utilities capitalized allowance for funds used during construction at a rate of 10.4 per cent (10.4 per cent in 1993) on property under construction.

3. investments

December 31

	1994	1993
International		
Hidroneuquén S.A.	$ 114.3	$ 101.1
EnergyDirect Ltd.	45.9	–
Canada		
AEC Power Ltd.	15.2	15.4
Other	1.2	1.2
	$ 176.6	$ 117.7

International

Hidroneuquén S.A. TransAlta Energy owns 27 per cent of the common shares of Hidroneuquén S.A. which owns 59 per cent of the common shares of Hidroelectrica Piedra del Aguila S.A. (PdA). PdA owns a 30-year concession which provides it with all the rights and responsibilities associated with the ownership and operation of a 1,400-megawatt hydroelectric power facility in Argentina. Revenues and operating expenses of PdA are denominated in Argentine pesos which, in accordance with the convertibility law of Argentina, are convertible on a one-for-one basis with the US dollar. Consequently, earnings and dividends from its investment will be denominated in US dollars.

EnergyDirect Ltd. In December 1994, TransAlta Energy purchased 20 per cent of the common shares of EnergyDirect Ltd. for $43.2 million Cdn ($50.6 million NZ). EnergyDirect Ltd. distributes electricity and natural gas in a region adjacent to Wellington, New Zealand.

Canada

AEC Power Ltd. AEC Power Ltd. owns and operates the utilities plant that supplies electric energy and steam on a cost-of-service basis to the Syncrude Project for production of synthetic crude oil from the Alberta oil sands. The investment consists of 50 per cent of the voting common shares, which represents one third of the outstanding shares.

Other On January 1, 1993, TransAlta Energy sold its investment in AEC Power Ltd. to the corporation for $23.5 million. The excess consideration over the carrying value of the investment of $7.8 million was recorded as a capital contribution.

During 1994, TransAlta Energy sold its investment in marketable securities of Sherritt Inc. for proceeds of $38.3 million, realizing a gain of $5.5 million which is included in investment income.

Capital Power Limited In January 1995, TransAlta Energy purchased 49 per cent of the common shares of Capital Energy Limited for $79.0 million Cdn ($88.0 million NZ), which was funded from cash and TransAlta Energy's credit facility. Capital Energy owns 100 per cent of Capital Power Limited which distributes electricity in the city of Wellington, New Zealand.

4. deferred costs

	December 31 1994	1993
TransAlta Utilities		
Unamortized financing costs	$ 18.8	$ 19.8
Other	6.0	0.6
	24.8	20.4
TransAlta Energy		
Unamortized financing costs	4.9	4.7
Development costs	17.2	16.1
	22.1	20.8
	$ 46.9	$ 41.2

Financing costs totalling $2.1 million were deferred in 1994 ($5.4 million in 1993) and $2.9 million ($2.6 million in 1993) were amortized and included in interest expense. Other deferred costs of $6.5 million were deferred in 1994 ($1.8 million in 1993) and $1.1 million were amortized ($ nil in 1993).

Development costs totalling $4.6 million were deferred in 1994 ($13.3 million in 1993) and development costs of $3.5 million were written off and included in operating expenses ($1.7 million in 1993).

5. common shares

a) Authorized Unlimited number of voting common shares without nominal or par value.

b) Issued and outstanding At December 31, 1994, 158.8 million common shares were issued and outstanding (158.7 million shares in 1993). During 1994, 0.1 million shares were issued for cash of $1.1 million under the share option plan (0.2 million shares were issued for cash of $3.3 million under the dividend reinvestment and share purchase plan and the share option plan in 1993).

c) Common shares reserved for future issue Under the amended terms of a share option plan, subject to shareholder approval at the annual and special meeting of shareholders on May 12, 1995, the corporation is authorized to grant certain key employees options to purchase up to an aggregate of 6,000,000 common shares at prices based on the market price of the shares as determined on the date of the grant. Options may not be exercised until one year after grant and thereafter at an amount not exceeding 20 per cent of the grant per year on a cumulative basis until the sixth year, after which the entire grant may be exercised at any time prior to expiry. At December 31, 1994, options to purchase 1,917,000 shares (1,889,200 shares in 1993) were outstanding at prices ranging from $11.765 to $15.00 per share and expiring from 1996 to 2004. During 1994, options to purchase 152,200 shares were granted; options to purchase 35,400 shares were cancelled; and options to purchase 89,000 shares were exercised for proceeds of $1.1 million.

6. preferred shares of TransAlta Utilities Corporation

a) Authorized The authorized preferred share capital of TransAlta Utilities consists of an unlimited number of First and Second Preferred Shares, all without nominal or par value.

b) Issued and outstanding - first preferred shares The first preferred shares, which are issuable in series, are cumulative and redeemable at designated dates at the option of TransAlta Utilities at their subscription price together with a premium not in excess of the annual dividend. Certain series are retractable at the option of the holder on designated dates at their subscription price plus any accrued and unpaid dividends. Certain series have annual purchase funds which are non-cumulative but require TransAlta Utilities to make all reasonable efforts to purchase for cancellation, in the open market, preferred shares at a price not exceeding their subscription price plus any accrued and unpaid dividends and costs of purchase. Only first preferred shares are issued and outstanding.

			December 31	
			1994	1993
	4% to 5.40%	7% to 8.40%		
Purchase fund	$ –	$ 460.0	$ 460.0	$ 546.1
Other	2.8	–	2.8	2.9
	$ 2.8	$ 460.0	$ 462.8	$ 549.0
Number of shares			15,984,916	19,310,046
Number of votes			4,509,179	5,363,090
c) Changes during the year				
Cancelled through				
Purchase fund	$ (0.1)	$ (4.2)	$ (4.3)	$ (0.1)
Retraction	–	(81.9)	(81.9)	(205.3)
	$ (0.1)	$ (86.1)	$ (86.2)	$ (205.4)
Number of shares			(3,325,130)	(7,455,654)
Number of votes			(853,911)	(1,906,672)
d) Retraction privileges				
In 1994	$ –	$ –	$ –	$ 100.0
In 1995	–	100.0	100.0	100.0
In 1996	–	99.0	99.0	99.0
No retraction	2.8	261.0	263.8	250.0
	$ 2.8	$ 460.0	$ 462.8	$ 549.0

An annual purchase fund may be required for up to $9.9 million stated capital in each of 1995 to 1999. Any such requirements could reduce the retraction privileges.

7. long-term debt of subsidiaries

	$7\frac{1}{4}\%$ to $9\frac{3}{8}\%$	10% to $11\frac{1}{2}\%$	December 31 1994	December 31 1993
TransAlta Utilities				
First mortgage bonds	$ 25.3	$ –	$ 25.3	$ 26.4
Debentures	548.5	630.1	1,178.6	1,310.0
Notes payable	40.0	–	40.0	40.0
Capital leases	44.6	–	44.6	48.7
Other	7.4	–	7.4	9.3
	665.8	630.1	1,295.9	1,434.4
Less: current portion	9.9	0.1	10.0	86.4
	$ 655.9	$ 630.0	$ 1,285.9	$ 1,348.0

The following principal amounts and sinking fund requirements, excluding current portion, are due in:

1995	$ –	$ –	$ –	$ 24.4
1996	77.7	–	77.7	124.3
1997	56.6	130.0	186.6	189.6
1998	21.3	200.0	221.3	217.6
1999	17.7	100.0	117.7	433.5
2000 to 2005	482.6	200.0	682.6	358.6
	$ 655.9	$ 630.0	$ 1,285.9	$ 1,348.0

First mortgage bonds First mortgage bonds total $17.5 million US ($20.0 million US in 1993) and are payable at $2.5 million US per year over the next seven years. They are secured by a first charge on certain of TransAlta Utilities' land, buildings, plant and equipment and by a first floating charge on all other utility assets situated in the Province of Alberta. TransAlta Utilities has closed the Trust Deed and will issue no additional first mortgage bonds.

Debentures The debentures are secured by a floating charge on the property and assets of TransAlta Utilities subject to the first specific charge and the first floating charge securing the first mortgage bonds. During the year, the corporation issued for cash $80.0 million Series A Secured Debentures at rates ranging from 7.50% to 8.70%. In 1993 $200.0 million 8.35% Series T and $150.0 million 7.25% Series U Secured Debentures were issued for cash.

The following secured debenture issues, including sinking fund requirements, were redeemed for cash:

		1994	1993
$10\frac{3}{4}\%$	Series F	$ 29.9	$ 1.4
$17\frac{5}{8}\%$	Series I	30.0	3.0
13%	Series J	40.6	9.4
$9\frac{5}{8}\%$	Series L	100.0	–
$9\frac{3}{4}\%$ to $11\frac{1}{4}\%$	Series A	10.9	35.0
$10\frac{1}{2}\%$	Series E	–	45.6
12%	Series K	–	100.0
		$ 211.4	$ 194.4

Notes payable The notes payable of TransAlta Utilities are unsecured, have no authorized limit, bear interest determined at June 30 and December 31 of each year at the greater of the five-year bank term deposit rate or the prevailing bank prime interest rate and mature December 31 in each year. These amounts are payable to rural electrification co-operative associations through their agent, Farm Electric Services Ltd., and represent a portion of funds contributed by members of these associations.

Capital leases TransAlta Utilities leases, with options to purchase, draglines with an initial capital cost of $73.0 million ($73.0 million in 1993) which is included in thermal production property. The related liability is included in long-term debt to reflect the effective acquisition and financing of the equipment. Accumulated amortization amounted to $32.2 million ($27.9 million in 1993). The future minimum payments under the capitalized leases are $8.0 million in 1995, $8.6 million in each of 1996 to 1999 and $19.8 million thereafter. The imputed interest included in these future minimum payments is $17.6 million ($21.5 million in 1993).

	December 31	
	1994	1993
TransAlta Energy		
Non-recourse		
Notes payable for independent power plants	$ 116.5	$ 113.6
Less: current portion	4.6	4.1
	111.9	109.5
Recourse		
Credit facility		
Canadian funds	40.4	–
US funds (US $86.0 million)	120.5	–
Bank loan facility		
Canadian funds	–	7.0
US funds (US $0.3 million)	0.4	98.5
Notes payable for independent power plants	10.8	17.8
	172.1	123.3
	$ 284.0	$ 232.8

Non-recourse The notes payable are non-recourse and bear interest of 9.82 per cent and 10.72 per cent, with principal and interest repayable over 12 and 15 years. Security for the notes is limited to first fixed and floating charges and specific mortgages on the independent power plants, and assignment of the related contracts and permits governing operation of the plants. In the event of a material default under a contract or permit related to a plant in service, the financial loss to TransAlta Energy is limited to its equity in the plant and its commitments under long-term gas agreements, which, in 1994 approximate $18.6 million ($17.5 million in 1993) and which escalate thereafter in accordance with gas transportation tolls. Required repayments are $4.6 million in 1995, $5.1 million in 1996, $5.6 million in 1997, $6.2 million in 1998, $6.8 million in 1999 and $99.0 million thereafter.

Recourse In August 1994, TransAlta Energy established a $250.0 million US credit facility that permits borrowing in either US or Canadian dollars. At December 31, 1994, the committed portion of the facility was $175.0 million US, of which $49.2 million US remained available. The credit facility bears interest at variable lending rates and is due August 9, 1995, being the date at which the facility is renewable for a further year at the option of TransAlta Energy and the lenders. Amounts due under the credit facility have been classified as long-term in these financial statements as the lenders have indicated it is their intention to extend the facility a further 364 days upon its renewal date of August 9, 1995.

TransAlta Energy has fixed the effective rate of interest on $25.0 million US at 7.98 per cent to January 1996 and on $25.0 million US at 8.23 per cent to July 1996.

TransAlta Energy has a $25.0 million US bank loan facility. Funds can be drawn under the bank loan facility in either US or Canadian dollars, bear interest at variable lending rates and are due on demand. The bank loan facility is included in long-term debt as the bank does not intend to seek repayment during 1995. At December 31, 1994, $24.1 million US available under this facility.

Included with the recourse debt is $10.8 million ($17.8 million in 1993) of the debt proceeds received for the independent power plants for which letters of credit were issued as security. The letters of credit will be released on or before January 1, 1999 providing the plants meet certain financial performance and other conditions. As each condition is satisfied, the related letters of credit will be released and the amounts included as non-recourse debt.

8. Alberta Electric Energy Marketing Act net charge

Pursuant to the Electric Energy Marketing Act (Alberta) ("EEMA"), the Alberta Department of Energy purchases electric energy generated and transmitted by TransAlta Utilities, Edmonton Power and Alberta Power Limited. The Alberta Department of Energy immediately resells the electric energy to the utility from which it was purchased at the average price of all energy so purchased. The prices fixed by the Public Utilities Board for electric energy supplied by TransAlta Utilities are currently below the average repurchase price, which gives rise to a net payment by TransAlta Utilities through EEMA.

9. rates for services

Regulated electric revenues in 1994 were collected under rates approved in 1993 by the Public Utilities Board. During 1993, an interim rate rider of $12.0 million was collected from customers which was refunded from January 1, 1994 to October 31, 1994, as directed by the Public Utilities Board.

10. non-regulated operations selected financial information

Non-regulated operations include TransAlta Energy and its subsidiaries and the investment in AEC Power Ltd.

	Year Ended December 31	
	1994	1993
Earnings		
Energy revenues	$ 84.1	$ 75.2
Operating deductions		
Fuel	$ 40.5	$ 35.8
Operating expenses	20.2	13.3
Depreciation	7.9	7.2
	$ 68.6	$ 56.3
Investment income		
Equity income		
Hidroneuquén S.A.	$ 6.3	$ –
EnergyDirect Ltd.	0.2	–
AEC Power Ltd.	1.6	2.1
Interest and other income	8.1	7.7
	$ 16.2	$ 9.8
Net earnings	$ 16.7	$ 15.1
Assets		
Property	$ 167.9	$ 166.8
Investments	$ 176.6	$ 117.7
Cash and other, net of current liabilities	$ 82.6	$ 57.1
Liabilities		
Long-term debt		
non-recourse	$ 116.5	$ 113.6
recourse	$ 172.1	$ 123.3
Equity	$ 138.5	$ 104.7

11. net earnings and taxes on income

Net earnings in 1994 were $225.9 million ($233.9 million in 1993). Taxes on income vary from the amount that would be determined by applying the combined statutory Canadian federal and Alberta income tax rates to pretax earnings, as follows:

Year Ended December 31

		1994	1993
Statutory income tax rates		44.3%	44.3%
Adjustments			
i)	Provincial timing differences for which no deferred tax is provided	0.5	(0.7)
ii)	Equity income	(0.8)	(0.2)
iii)	Allowance for equity funds used during construction, net of applicable depreciation adjustment	1.8	1.5
iv)	Coal mining allowances	(0.7)	(0.7)
v)	Application of TransAlta Energy's losses from prior years	(0.4)	(0.2)
vi)	Large corporations tax	1.0	1.1
vii)	Other	(0.5)	(0.7)
Effective income tax rate		45.2%	44.4%

At December 31, 1994, TransAlta Energy has available for future use approximately $61.4 million of tax losses ($63.4 million in 1993), for which no future benefit has been recorded. These losses expire in the years 1995 to 2001.

12. post retirement benefits

a) Pensions The corporation maintains a contributory defined benefit retirement pension plan covering substantially all employees of the corporation and its subsidiaries and a supplemental retirement pension plan. Effective January 1, 1994 the corporation prospectively changed the method used to account for the supplemental retirement pension plan from a cash basis to an accrual basis. As a result of this change in accounting policy, 1994 net income has been reduced by approximately $1.0 million. The accumulated unrecorded supplemental retirement pension obligation as at January 1, 1994 was $10.5 million. It is being amortized over the estimated average remaining service life of employees which is 17.2 years.

Net Pension Expense for the Years Ended December 31

	1994	1993
Basic pension plan:		
Service cost for benefits earned		
Regular	$ 11.6	$ 13.0
Laid-off employees	5.0	–
Contributions from employees	(4.1)	(4.5)
Expected interest on accrued benefits	23.1	22.9
Expected interest on plan assets	(22.7)	(22.7)
Net amortization and deferral of experience gains and losses, changes in assumptions and plan amendments	(0.5)	(0.3)
Net pension expense	$ 12.4	$ 8.4
Supplemental retirement pension plan service cost for benefits earned	$ 1.7	$ 0.2

At December 31, 1994 and 1993, the estimated market value of pension fund assets for actuarial purposes was $311.0 million ($318.5 million in 1993) and equalled the actuarial value of accrued pension obligations.

The actuarial value of the unfunded obligation of the supplemental retirement pension plan was $11.3 million at December 31, 1994 ($10.5 million in 1993).

b) Post retirement benefits other than pensions The corporation provides supplementary health and dental benefits covering retirees of the corporation and its subsidiaries under the age of 65 and their eligible dependents. Effective January 1, 1994 the corporation prospectively changed the method used to account for post retirement benefits other than pensions from a cash basis to an accrual basis. As a result of this change in accounting policy, 1994 net income has been reduced by approximately $1.0 million. The accumulated unrecorded post retirement benefit obligation as at January 1, 1994 was $11.7 million. It is being amortized over the estimated average remaining service life of employees which is 17.2 years.

Net Expense for the Year and the Status of the Plan as of December 31

	1994	1993
Post retirement benefits other than pensions expense	$ 2.2	$ 0.5
Actuarial value of unfunded obligation of post retirement benefits other than pension service cost for benefits earned	$ 12.7	$ 11.7

The latest actuarial valuation of the basic pension plan, the supplemental retirement plan and post retirement benefits other than pensions was completed on December 31, 1992.

In determining all post retirement benefits expenses and the status of all the plans the following significant assumptions were consistently used for 1994 and 1993: rate used to discount future benefits 7.5 per cent; rate used to estimate interest cost 7.5 per cent; rate used to estimate return on investments 7.5 per cent; rate used to escalate salaries 5.5 per cent; estimated remaining service life of employees 17.2 years. The assumptions take into consideration the long term nature of the plans.

13. small power producers' contracts

The Alberta Small Power Research and Development Act ("the Act") requires TransAlta Utilities to enter into long-term power purchase contracts for up to 122.3 megawatts of capacity with eligible small power producers at legislated prices. Payments under the contracts are included in rates charged to customers. In addition, under the Act, effective January 1, 1995 TransAlta Utilities is required to compensate the producers for their income tax paid to a maximum of 15 per cent of their power revenues.

During 1994, 73 megawatts of small power capacity delivered power to TransAlta Utilities. At December 31, 1994, future undiscounted minimum payments under these contracts are as follows:

1995	$	17.1
1996		17.4
1997		17.7
1998		18.0
1999		18.3
Thereafter		259.1
	$	347.6

At December 31, 1994, TransAlta Utilities has contracted for an additional 40 megawatts of capacity of which 20 megawatts are forecast to commence delivery in 1995 and 20 megawatts in 1996. Future undiscounted minimum payments under these contracts are estimated to be approximately $469.0 million. The remaining 9.3 megawatts of capacity allocated to TransAlta Utilities has not been contracted for.

TransAlta Utilities must purchase the power under long-term contracts at a price not less than 5.20¢/kWh which is in excess of the Alberta Integrated System marginal cost of producing energy of about two cents per kilowatt hour (about 1.9¢/kWh in 1993).

While the small power producer contract costs are passed on to the customers through rates approved by the Alberta Energy and Utilities Board, there is no guarantee that such costs will be recoverable in future years.

The estimated future costs and obligations for small power producers' contracts are presented separately in the corporation's consolidated statements of financial position for information purposes and do not form part of the corporation's assets and liabilities.

14. comparative figures

Certain of the comparative figures have been reclassified to conform with the current year presentation.

ten-year summary of TransAlta Corporation

(millions of dollars except where noted)		1994	1993
Financial record			
Statement of earnings			
Electric revenue – regulated		1,391.8	1,312.8
Alberta Electric Energy Marketing Act net (charge) recovery		(202.9)	(173.3)
Alberta Small Power Research and Development Act charge		(12.0)	(6.4)
Energy revenues – non-regulated		84.1	75.2
Operating deductions		(899.4)	(840.0)
Allowance for funds used during construction		6.6	9.7
Allowance for funds used on plant held for future use		–	–
Investment income		16.2	9.8
Interest charges		(158.5)	(153.9)
Preferred share dividend requirements of subsidiaries		(39.0)	(50.1)
Earnings from continuing operations		186.9	183.8
Discontinued operations		–	–
Net earnings applicable to common shares		186.9	183.8
Common shareholders' investment			
Average common shareholders' investment (weighted)		1,494.2	1,463.2
Return from continuing operations on weighted average (%)		12.5	12.6
Common share information (dollars per share)			
Book value (year end)		9.54	9.31
Earnings from continuing operations		1.18	1.16
Net earnings		1.18	1.16
Dividends declared		0.98	0.98
TransAlta Utilities' coverages (times earned before income tax)			
Interest		3.8	3.9
Interest and preferred dividends		2.5	2.3
Assets and property			
Total assets (year end)		4,170.5	4,171.7
Property		3,618.6	3,725.2
Electric utility property in service (year end)		3,411.2	3,476.3
Investments and expenditures on facilities		195.0	283.5
Capitalization (year end)			
Common shareholders' equity		1,515.0	1,477.6
TransAlta Utilities	– preferred shares	462.8	549.0
	– long-term debt	1,285.9	1,348.0
TransAlta Energy	– long-term debt	284.0	232.8
	– preferred shares	–	–
		3,547.7	3,607.4
Statistical record			
Electric energy sales (millions of kWh)			
Regulated	– residential and commercial	3,727	3,620
	– industrial	14,753	13,539
	– cities and towns under wholesale contracts	7,758	7,541
	– farms	1,212	1,119
Non-regulated	– independent power	1,344	1,256
		28,794	27,075
Generating capability (nominal net MW including capability of equity investments)			
Regulated	– hydro	800	800
	– thermal	3,676	3,676
Non-regulated	– independent power	490	377
		4,966	4,853
Sources of primary energy (millions of kWh)			
Regulated	– hydro	1,574	1,670
	– thermal (coal)	27,737	27,369
	– net purchases and exchanges	(401)	(1,107)
Non-regulated	– independent power	1,344	1,256
		30,254	29,188

*Net of $0.75 per share or 7.5 per cent reduction resulting from capital reorganization February 1, 1988.

1992	1991	1990	1989	1988	1987	1986	1985
1,275.1	1,160.6	1,063.5	954.9	909.6	917.0	909.0	833.8
(175.6)	(159.5)	(117.5)	(43.3)	17.4	8.5	(15.9)	(21.5)
(3.8)	(0.6)	–	–	–	–	–	–
5.9	–	–	–	–	–	–	–
(749.9)	(667.6)	(620.3)	(588.3)	(585.3)	(582.3)	(557.6)	(500.8)
13.6	15.8	27.3	35.1	38.2	38.7	61.0	75.6
16.5	32.2	18.6	5.6	–	0.5	0.4	–
7.1	2.9	2.1	2.0	1.9	5.4	12.9	8.2
(147.4)	(168.4)	(176.4)	(163.5)	(146.2)	(130.3)	(147.7)	(136.3)
(59.0)	(57.1)	(52.0)	(52.5)	(61.7)	(80.9)	(84.0)	(86.3)
182.5	158.3	145.3	150.0	173.9	176.6	178.1	172.7
–	–	(110.0)	(13.1)	(57.6)	2.4	(124.6)	8.2
182.5	158.3	35.3	136.9	116.3	179.0	53.5	180.9
1,393.4	1,214.7	1,188.9	1,227.1	1,236.6	1,301.6	1,278.9	1,256.9
13.1	13.0	12.2	12.2	14.1	13.6	13.9	13.7
9.12	8.71	8.42	9.10	9.05*	9.87	9.46	9.93
1.18	1.12	1.07	1.11	1.29	1.31	1.35	1.33
1.18	1.12	0.26	1.01	0.86	1.33	0.41	1.39
0.98	0.98	0.98	0.965	0.93	0.92	0.86	0.81
3.8	3.1	3.0	3.2	3.8	4.4	4.1	4.1
2.2	2.0	2.0	2.0	2.2	2.3	2.2	2.2
4,117.2	3,966.0	3,844.2	3,892.3	3,721.6	3,685.5	3,701.9	3,733.7
3,793.4	3,651.2	3,538.7	3,451.7	3,335.6	3,286.1	3,273.5	3,187.1
3,520.5	3,127.9	3,117.9	3,058.3	3,024.8	3,005.3	2,993.4	2,560.5
373.3	322.3	280.9	293.4	229.7	169.9	233.8	253.1
1,446.0	1,254.3	1,155.8	1,230.6	1,223.7	1,334.3	1,265.7	1,298.9
754.4	763.0	668.2	673.7	678.9	758.7	689.7	741.8
1,089.1	1,236.4	1,396.2	1,220.1	1,149.4	946.2	992.3	1,054.2
142.8	51.0	73.5	99.3	68.1	–	–	39.7
–	–	–	–	–	124.2	160.0	160.0
3,432.3	3,304.7	3,293.7	3,223.7	3,120.1	3,163.4	3,107.7	3,294.6
3,530	3,474	3,306	3,205	3,129	2,928	2,854	2,802
13,101	12,168	10,911	10,359	9,922	8,789	8,215	7,994
7,455	7,426	7,376	7,216	7,002	6,668	6,522	6,453
1,161	1,182	1,193	1,162	1,117	1,006	1,006	999
100	–	–	–	–	–	–	–
25,347	24,250	22,786	21,942	21,170	19,391	18,597	18,248
800	800	800	800	800	800	800	800
3,676	3,676	3,676	3,493	3,493	3,493	3,493	3,310
266	88	88	88	88	88	88	88
4,742	4,564	4,564	4,381	4,381	4,381	4,381	4,198
1,502	2,022	2,051	1,589	1,423	1,444	1,791	1,385
26,904	26,102	25,584	25,510	26,342	24,839	23,813	23,181
(1,145)	(1,905)	(2,809)	(2,969)	(4,619)	(4,968)	(5,304)	(4,610)
100	–	–	–	–	–	–	–
27,361	26,219	24,826	24,130	23,146	21,315	20,300	19,956

TRANSALTA CORPORATION DIRECTORS

LAWRENCE I. BELL
President & CEO, Shato Holdings Ltd.
Former CEO, British Columbia
Hydro & Power
Director since 1992 • *(5)*

JACK C. DONALD
President & CEO, Parkland Industries Ltd.
Chairman & Director,
Alberta Opportunity Company
Director since 1993 • *(5)*

JOHN T. FERGUSON
President & CEO, Princeton Developments Ltd.
Director since 1981 • *(5)*

CHRIS HAMPSON
Chairman, Yorkshire Electricity Corporation PLC
Former Executive Director,
Imperial Chemical Industries PLC
Director since 1994 • *(4)*

CHARLES H. HANTHO
Chairman, Dominion Textile Inc.
Chairman, Dofasco Inc.
Director since 1992 • *(3,4)*

RICHARD F. HASKAYNE, F.C.A.
Chairman, NOVA Corporation
Director since 1991 • *(2,3,5)*

LOUIS D. HYNDMAN, Q.C.
Senior Partner, Field & Field Perraton
Director since 1986 • *(1,3)*

DONNA SOBLE KAUFMAN
Partner, Stikeman, Elliott
Director since 1989 • *(4)*

JOHN S. LANE
Senior Vice-President,
Investments, Sun Life Assurance
Company of Canada
Director since 1993 • *(4)*

J. WALLACE MADILL
President, J. Wallace Madill & Associates
Former CEO, Alberta Wheat Pool
Director since 1978 • *(1,2)*

GERALD J. MAIER, F.C.A.E.
Chairman,
TransCanada PipeLines Limited
Director since 1983 • *(4)*

KEN F. McCREADY
President & CEO, TransAlta
Joined TransAlta in 1963
Director since 1988

ROSS F. PHILLIPS, F.C.A.
Corporate Consultant
Former Chairman & CEO,
Home Oil Company Limited
Director since 1975 • *(1,2)*

HARRY G. SCHAEFER, F.C.A.
Chairman of the Board, TransAlta
Former Chief Financial Officer, TransAlta
Joined TransAlta in 1963
Director since 1985 • *(5)*

RALPH A. THRALL, JR.
President, McIntyre Ranching Co. Ltd.
Director since 1981 • *(1)*

(1) Member of Audit Committee

(2) Member of Human Resources Committee

(3) Member of Nominating and Corporate Governance Committee

(4) Member of Risk Management Committee

(5) Member of Pension Investment Committee

corporate
information

TRANSALTA CORPORATION OFFICERS

KEN F. McCREADY
President & Chief Executive Officer

MICHAEL A. PAVEY
Senior Vice-President & Chief Financial Officer

JIM LESLIE
Senior Vice-President, Sustainable Development

SUE LEE
Vice-President, Human Resources

IAN A. MALLORY
Vice-President & General Counsel

GARY C. MOORE
Vice-President, Information Services

ROBERT C.P. WESTBURY
Vice-President, Government Affairs

WILLIAM A. VERES
Treasurer

DON W. BOONE
Corporate Secretary

KEN J. WETHERELL
Assistant Corporate Secretary

TRANSALTA UTILITIES OFFICERS

KEN F. McCREADY
Chief Executive Officer

WALTER SAPONJA
President & Chief Operating Officer

MICHAEL A. PAVEY
Chief Financial Officer

WOLFGANG JANKE
Vice-President, Customer Services

F.A. RICHARD McKINNON, F.C.A.
Vice-President, Finance

MURRAY A. NELSON
Vice-President, Marketing
& Business Services

JOHN A. TAPICS
Vice-President, Generation

WILLIAM A. VERES
Treasurer

DON W. BOONE
Corporate Secretary

KEN J. WETHERELL
Assistant Corporate Secretary

TRANSALTA ENERGY OFFICERS

KEN F. McCREADY
Chief Executive Officer

ALAN C. MOON
President & Chief Operating Officer

MICHAEL A. PAVEY
Chief Financial Officer

GARY R. HOLDEN
Vice-President, New Zealand and Australia

G. DUANE LYONS
Vice-President, Development

IAN A. MALLORY
Vice-President, Latin America

S. JIM SIMMONS
Vice-President, Engineering
& Operations

MARVIN J. WAIAND
Director of Finance & Treasurer

DON W. BOONE
Corporate Secretary

KEN J. WETHERELL
Assistant Corporate Secretary

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TransAlta Corporation

NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting of Shareholders of TransAlta Corporation (the "Corporation") will be held in the Britannia Room, Westin Hotel, 320 - 4 Avenue S.W., Calgary, Alberta on Friday, May 12, 1995 at 10:00 a.m. (Calgary time) for the purpose of:

(a) receiving the consolidated financial statements of the Corporation and the auditor's report thereon;

(b) electing directors;

(c) appointing auditors;

(d) considering, and if thought fit, passing a resolution (the text of which is set out in the accompanying Management Proxy Circular) approving, with or without variation, certain amendments to the TransAlta Corporation Share Option Plan; and

(e) transacting such other business as may properly be brought before the Annual and Special Meeting.

By Order of the Board of Directors

Calgary, Alberta
March 7, 1995

DW Boone

D.W. Boone
Corporate Secretary

If you are unable to be present at the meeting PLEASE SIGN AND RETURN THE ACCOMPANYING PROXY in the enclosed addressed envelope. Proxies must be deposited at the head and registered office of the Corporation not less than twenty-four hours before the time fixed for holding the Annual and Special Meeting.

Only shareholders of record at the close of business on March 14, 1995 will be entitled to vote at the Annual and Special Meeting except to the extent that a person has transferred any shares of the Corporation after that date and the new holder of such shares establishes proper ownership and demands not later than 10 days before the Annual and Special Meeting to be included in the list of shareholders eligible to vote at the Annual and Special Meeting.

TransAlta Corporation

MANAGEMENT PROXY CIRCULAR

MANAGEMENT SOLICITATION

This Management Proxy Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of TransAlta Corporation (the "Corporation") for use at the Annual and Special Meeting (the "Meeting") of the shareholders of the Corporation to be held on Friday, May 12, 1995 at 10:00 a.m. (Calgary time), or any adjournment thereof, for the purposes set out in the Notice of Meeting. Proxies must be deposited at the head and registered office of the Corporation not less than twenty-four hours before the Meeting.

The persons named in the accompanying proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholder appointing them. **In the absence of such direction, such shares will be voted (i) in favour of the election of each of the persons proposed to be nominated as directors; (ii) in favour of the appointment of Ernst & Young as auditors of the Corporation; and (iii) in favour of the resolution approving certain amendments to the TransAlta Corporation Share Option Plan.**

The cost of such solicitation will be borne by the Corporation and will be made primarily by mail. Directors, officers and regular employees of the Corporation may solicit proxies without special compensation by telephone, telegram or in person. Brokerage houses and other custodians, nominees and fiduciaries will be reimbursed for the expense of forwarding documents to beneficial owners for whom shares are held.

APPOINTMENTS AND REVOCATION OF PROXIES

The proxies are revocable. Subject to compliance with the requirements of the following paragraph, the giving of a proxy will not affect the right of a shareholder to attend and vote in person at the Meeting, or any adjournment thereof.

A shareholder giving a proxy may revoke the proxy by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head and registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, or in any other manner permitted by law.

CONFIDENTIALITY OF VOTING

Proxies are counted and tabulated by Montreal Trust Company of Canada, the transfer agent of the Corporation, in such a manner as to preserve the confidentiality of individual shareholder votes, except (a) where the shareholder has made a written comment on the proxy form or otherwise clearly intends to communicate his or her individual position to management, (b) as necessary to meet the requirements of applicable law, or (c) in the event of a proxy contest.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

There are outstanding 158,842,081 fully paid and non-assessable Common Shares of the Corporation. A shareholder is entitled to one vote in person or by proxy for each Common Share. To the knowledge of management of the Corporation there are no persons who beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the Common Shares of the Corporation.

Only shareholders of record at the close of business on March 14, 1995 will be entitled to vote at the Meeting except to the extent that a person has transferred any shares of the Corporation after that date and the new holder of such shares establishes proper ownership and demands not later than 10 days before the Meeting to be included in the list of shareholders eligible to vote at the Meeting.

ELECTION OF DIRECTORS

Each of the following persons is proposed to be nominated as a director of the Corporation to serve until the next annual meeting of shareholders or until his successor is elected or appointed. All of the following persons are also proposed to be nominated as directors of TransAlta Utilities Corporation ("Utilities") and TransAlta Energy Corporation ("Energy"), each a subsidiary of the Corporation, at shareholders' meetings of those corporations to be held on the date of the Meeting.

Name and year first became a director	Principal occupation	Common Shares beneficially owned and/or controlled
Lawrence Irving Bell (4) 1992	President and Chief Executive Officer Shato Holdings Ltd. (Food Processing and Retailing)	1,000
Jack Cameron Donald (4) 1993	President and Chief Executive Officer Parkland Industries Ltd. (Oil Exploration and Development)	1,700
John Thomas Ferguson (4) 1981	President and Chief Executive Officer Princeton Developments Ltd. (Commercial Real Estate Development)	4,259
Christopher Hampson 1994	Chairman of the Board Yorkshire Electricity Corporation PLC (Electrical Distribution)	1,000
Charles Harold Hantho (3) 1992	Chairman, Dominion Textile Inc. (Textile Manufacturing and Marketing) and Chairman, Dofasco Inc. (Integrated Producer of Flat Rolled Steel)	2,000
Richard Francis Haskayne, F.C.A. (2)(3)(4) 1991	Chairman of the Board NOVA Corporation (Pipelines and Petrochemicals)	10,000
Louis Davies Hyndman, Q.C.(1)(3) 1986	Senior Partner of Field & Field Perraton (Barristers & Solicitors)	1,300
Donna Soble Kaufman 1989	Partner of Stikeman, Elliott (Montreal) (Barristers & Solicitors)	6,500
John Scott Lane 1993	Senior Vice-President, Investments Sun Life Assurance Company of Canada (Insurance and Financial Services)	2,000
John Wallace Madill (1)(2) 1978	President J. Wallace Madill and Associates (Agricultural and Management Consultant)	4,961
Gerald James Maier, F.C.A.E. 1983	Chairman of the Board TransCanada PipeLines Limited (Natural Gas Pipeline Transmission)	3,128

Name and year first became a director	Principal occupation	Common Shares beneficially owned and/or controlled
Kenneth Frank McCready 1988	President and Chief Executive Officer of TransAlta Corporation, and Chief Executive Officer of TransAlta Utilities Corporation and TransAlta Energy Corporation	20,425
Ross Ferguson Phillips, F.C.A. (1)(2) 1975	Corporate Consultant	5,000
Harry George Schaefer, F.C.A. (4) 1985	Chairman of the Board TransAlta Corporation, TransAlta Utilities Corporation and TransAlta Energy Corporation	33,334
Ralph Ambrose Thrall, Jr. (1) 1981	President McIntyre Ranching Co. Ltd. (Cattle Ranching)	7,481

(1) Member of Audit Committee.
(2) Member of Human Resources Committee.
(3) Member of Nominating and Corporate Governance Committee.
(4) Member of Pension Investment Committee.

The board of directors has established four committees, the Audit Committee, the Human Resources Committee, the Nominating and Corporate Governance Committee and the Pension Investment Committee. The Human Resources Committee, formerly the Compensation Committee, and the Nominating and Corporate Governance Committee, formerly the Nominating Committee, were renamed to more accurately reflect the duties and responsibilities of these committees.

REMUNERATION OF DIRECTORS

The Corporation pays annual directors' fees in the amount of $12,000 per director. Nominees for election as directors of the Corporation are also nominees for election as directors at the shareholders' meetings of Utilities and Energy. Utilities and Energy each pay annual directors' fees of $3,000 per director. In addition, a director, other than an employee, of the three TransAlta corporations is paid a meeting fee of $850 for each day, or part thereof, including traveling time, that the director is in attendance at meetings of a board or a committee thereof or while otherwise engaged in the business or affairs of the TransAlta corporations. This stipend applies regardless of the number of board or committee meetings held in a day and regardless of whether those meetings are for different TransAlta corporations. All directors are also compensated for out-of-pocket expenses. Those directors who are not employees and who serve as chairman of any committee of the boards of directors of the TransAlta corporations (currently, such directors are R.F. Phillips - Chairman of the Audit Committee, J.W. Madill - Chairman of the Human Resources Committee, and C.H. Hantho - Chairman of the Nominating and Corporate Governance Committee) are each paid an additional annual fee of $3,000. This fee applies regardless of whether there is more than one committee of the same type representing more than one of the TransAlta corporations.

The Chairman of the Board, H.G.Schaefer, has been engaged since May 14, 1993 through a contract for services arrangement with Pascal Securities Ltd., a corporation owned by Mr. Schaefer and his wife, for Mr. Schaefer to provide, for $120,000 per year plus reimbursement of expenses, consulting and other services to the Corporation, Utilities and Energy including acting as Chairman of the Board and Chairman of the Pension Investment Committee. Pascal Securities Ltd. received $120,000 plus reimbursement of expenses pursuant to this contract in the last fiscal year. Mr. Schaefer also received $18,000 in the last fiscal year for serving on the boards of the three TransAlta corporations. He is not paid a meeting fee.

REMUNERATION OF OFFICERS

The following table sets forth all annual compensation for services in all capacities to the Corporation and its subsidiaries for the fiscal years ended December 31, 1994, 1993 and 1992 in respect of the Chief Executive Officer and the four other most highly compensated executive officers as of December 31, 1994 (the "Named Executive Officers").

Summary Compensation Table

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
					AWARDS		PAYOUTS	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compen-sation	Securities Under Options/ SARs Granted	Restricted Shares or Restricted Share Units	LTIP Payouts	All Other Compen-sation
		($)	($) (1)	($) (2)	(#) (3)	($)	($)	($) (4)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
K.F. McCready President and Chief Executive Officer	1994	345,000	100,000		-			1,056
	1993	345,000	121,917		-			1,097
	1992	345,000	132,731		-			
W. Saponja President and Chief Operating Officer, TransAlta Utilities Corp. (5)	1994	193,169	54,742		20,000			554
	1993	183,600	39,002		-			564
	1992	183,600	46,662		-			
M.A. Pavey Sr. Vice-President and Chief Financial Officer (5)	1994	184,000	66,049		-			506
	1993	128,700	36,820		45,000			382
	1992	118,200	24,695		15,000			
A.C. Moon President and Chief Operating Officer, TransAlta Energy Corp. (5)	1994	179,169	39,466		30,000			498
	1993	136,200	37,999		-			408
	1992	136,200	33,829		15,000			
J. Leslie Sr. Vice-President, Sustainable Development (5)	1994	170,100	48,587		-			509
	1993	170,100	43,369		-			515
	1992	156,000	45,877		-			

(1) Incentive compensation is paid during the first quarter of the year for achievements in the previous year.

(2) The value of such benefits is no greater than the lesser of $50,000 and 10 percent of the total of the annual salary and bonus of the Named Executive Officers for each of the 1993 and 1994 fiscal years. In accordance with transitional provisions of the rules on executive compensation disclosure in proxy statements, amounts have not been included for fiscal year 1992.

(3) Amounts in this column reflect the number of Common Shares of the Corporation granted under option in the year indicated. The Corporation has not granted any stock appreciation rights (SARs).

(4) Amounts in this column reflect premiums paid by the Corporation for term life insurance for each officer. In accordance with transitional provisions of the rules on executive compensation disclosure in proxy statements, amounts have not been included for fiscal year 1992.

(5) The board of directors approved the appointment of W. Saponja, A.C. Moon and J. Leslie to their present positions effective July 1, 1994. Prior to the appointments, W. Saponja was Senior Vice-President, Operations of Utilities, A.C. Moon was Vice-President, Corporate Development of Energy and J. Leslie was Senior Vice-President, Corporate Services of the Corporation. Prior to May 14, 1993, M.A. Pavey was Vice-President, Regulatory Services of Utilities, A.C. Moon was Vice-President, Corporate Development of Energy and Utilities and J. Leslie was Senior Vice-President, Corporate Services of Utilities.

STOCK OPTION GRANTS

The following stock options were granted to the Named Executive Officers during the 1994 fiscal year.

Name (a)	Securities Under Options/ SARs Granted (#) (1) (b)	% of Total Options/ SARs Granted to Employees in Financial Year (c)	Exercise or Base Price ($/Security) (d)	Market Value of Securities Underlying Options/SARs on the Date of Grant ($/Security) (e)	Expiration Date (2) (f)
W. Saponja	20,000	13.1%	$13.875	$13.875	June 23, 2004
A.C. Moon	30,000	19.7%	$13.875	$13.875	June 23, 2004

Option Grants During the Most Recently Completed Financial Year

(1) All options, each of which covers one share, are for Common Shares of the Corporation.

(2) The options vest over 5 years and are exercisable for 10 years.

The following table sets forth information concerning exercises of stock options during the 1994 fiscal year by each of the Named Executive Officers and the number and value of unexercised options held by each of them at December 31, 1994.

Aggregate Option Exercises in the Most Recently Completed Financial Year and Financial Year-End Option Values

Name (a)	Securities Acquired on Exercise (#) (b)	Aggregate Value Realized ($) (c)	Unexercised Options/SARs at FY-End Exercisable/ Unexercisable (#) (1) (d)	Value of Unexercised in-the-Money Options /SARs at FY-End Exercisable/ Unexercisable ($) (2) (e)
K.F. McCready			176,600 / 48,400	$317,651 / $99,974
W. Saponja			68,400 / 31,600	$115,924 / $38,626
M.A. Pavey			27,000 / 53,000	$23,820 / $18,380
A.C. Moon			33,000 / 47,000	$58,345 / $41,130
J. Leslie			52,400 / 17,600	$91,039 / $34,536

(1) All options, each of which covers one share, are for Common Shares of the Corporation.

(2) Market value of underlying securities at year-end ($14.50 per Common Share), minus the exercise price.

RETIREMENT PENSION PLAN

The retirement pension plan (the "Pension Plan") is a defined benefit plan available to essentially all full-time employees including executive officers. The Pension Plan benefits are integrated with the Canada Pension Plan and are based on the monthly average of the highest consecutive sixty months of earnings in the last ten years of employment ("Final Average Earnings") times the total number of years in the Pension Plan ("Credited Service"). The monthly pension amount in relation to this product is 1.4% for Final Average Earnings up to the Canada Pension Plan base earnings and 2% of the product for Final Average Earnings above the Canada Pension Plan base earnings. In the case of the Named Executive Officers, the Pension Plan is non-contributory and Final Average Earnings includes annual base salary (column (c) on the Summary Compensation Table) plus the lower of the individual's annual performance incentive target, or, if any, the actual annual incentive payment (column (d) on the Summary Compensation Table). The Income Tax Act (Canada) (the "Tax Act") imposes limitations upon pension benefits that may be paid to a former employee, including a yearly maximum of $1,722 per year of credited service. In order to compensate participants in the Pension Plan who are entitled to receive amounts in excess of such limitations, the Corporation has adopted a supplemental pension plan (the "Supplemental Plan"). Under the Supplemental Plan, a supplemental pension is paid to participants in the Pension Plan in an amount equal to any excess amount that would be payable under the Pension Plan if the restrictions in the Tax Act did not exist. However, regardless of Credited Service, the aggregate pension benefits paid to employees cannot exceed 70% of Final Average Earnings.

Assuming that the Named Executive Officers remain in the employ of the Corporation until the normal retirement age of 65, such officers will have the following number of years of Credited Service: K.F. McCready 41, W. Saponja 42, M.A. Pavey 20, A.C. Moon 25 and J. Leslie 39.

Retirement Pension Plan Table

Remuneration	YEARS OF CREDITED SERVICE				
	15	20	25	30	35
($)	($)	($)	($)	($)	($)
125,000	37,500	50,000	62,500	75,000	87,500
150,000	45,000	60,000	75,000	90,000	105,000
175,000	52,500	70,000	87,500	105,000	122,500
200,000	60,000	80,000	100,000	120,000	140,000
225,000	67,500	90,000	112,500	135,000	157,500
250,000	75,000	100,000	125,000	150,000	175,000
300,000	90,000	120,000	150,000	180,000	210,000
400,000	120,000	160,000	200,000	240,000	280,000
500,000	150,000	200,000	250,000	300,000	350,000
600,000	180,000	240,000	300,000	360,000	420,000

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Subsequent to January 1, 1994, there has been no indebtedness outstanding to the Corporation or any of its subsidiaries from any of the Corporation's directors, nominees for election as directors, executive officers, senior officers or associates of any such directors, nominees or officers.

TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL AGREEMENTS

The Corporation has entered into agreements with Mr. McCready, Mr. Moon, Mr. Saponja, Mr. Pavey and Mr. Leslie whereby in the event of (a) a termination of employment for any reason other than voluntary termination, for sufficient cause, on death, by reason of disability or at normal retirement age, (b) such executive officer terminating employment within two years of a change of control of the Corporation, or (c) failure to negotiate a new agreement prior to the end of the current period of employment, the Corporation shall pay to such executive officer a sum equal to annual base salary plus the greater of: (i) the annual performance incentive bonus most recently paid by the Corporation or its subsidiaries, if any, or (ii) the average of the last two annual incentive bonuses paid by the Corporation or its subsidiaries ("Annual Salary") times two. In addition, the executive officer would continue to receive health and dental care premium subsidies, participation in the eye glass program, life insurance and car allowance for a two year period following the date of termination, or, in lieu thereof, would receive a cash payment. The executive officer would receive normal pension benefits at retirement age, increased by two years of Credited Service, and be entitled to exercise immediately all stock options such officer would be entitled to exercise within a period of two years following the date of termination. The Corporation has also agreed to pay the executive officer a bonus equal to one times Annual Salary in the event the officer's employment continues beyond the period of two years following a change of control.

EMPLOYEE SHARE PURCHASE PLAN

The Corporation's Employee Share Purchase Plan (the "Employee Plan") is a plan that permits employees of the Corporation and its subsidiaries to purchase common shares of the Corporation ("Common Shares"). Participants in the Employee Plan are permitted to purchase Common Shares on quarterly purchase dates, and may acquire Common Shares with an aggregate purchase price of up to $5,000 on a purchase date (if participants are using their own funds), or alternatively, may borrow up to 10% of their annual salary from the Corporation to finance the acquisition of Common Shares.

Under the Employee Plan as it presently operates, the Common Shares are acquired pursuant to secondary market purchases by Montreal Trust Company of Canada, the trustee under the Employee Plan. These Common Shares are then transferred to participants. The Corporation also has the option of issuing Common Shares from treasury under the Employee Plan. To date, all Common Shares that have been transferred to participants in the Employee Plan have been acquired pursuant to secondary market purchases.

The Toronto Stock Exchange has requested that the Corporation place a restriction in the Employee Plan on the number of Common Shares that may be issued from treasury. The Corporation has therefore amended the Employee Plan to provide that the maximum number of Common Shares that may be issued from treasury thereunder is 200,000. There is no restriction on the number of Common Shares acquired pursuant to secondary market purchases that may be transferred to participants under the Employee Plan.

REPORT ON EXECUTIVE COMPENSATION

Composition of the Human Resources Committee

The Human Resources Committee of the board of directors (the "Committee") consists of three independent outside directors: Mr. J. Wallace Madill (Committee Chairman), Mr. Richard F. Haskayne, F.C.A. and Mr. Ross F. Phillips, F.C.A. None of the Committee members are or have ever been executive officers or employees of the Corporation or its subsidiaries and the only relationship the committee members have or have had with the Corporation has been as directors. No members of the Committee have any indebtedness to the Corporation or any of its subsidiaries nor have they any material interest, or have any associates or affiliates which have any material interest, direct or indirect, in any actual or proposed transaction in the last financial year which has materially affected or would materially affect the Corporation or any of its subsidiaries.

Report of the Human Resources Committee

The Corporation's executive compensation program is administered by the Committee. The Committee has responsibility for reviewing and recommending to the board of directors proposed salaries and benefits paid to corporate officers, performance incentive plans and payments, the granting of stock options, appointment of executive officers, management succession plans, development plans for key management personnel, and major retirement pension plan changes. The Committee met seven times in 1994.

The Corporation's executive compensation program consists of a competitive annual base salary, an annual performance incentive compensation plan and a longer-term component consisting of stock options.

Base Salaries

The Corporation's policy is to pay base salaries to Utilities executive officers that are competitive with a comparison group of Canadian regulated electric, gas, telephone and gas pipeline utility corporations and to Energy executive officers based on a comparison group of corporations engaged in non-regulated business operations including co-generation plant development and operation. Corporations in the comparison groups are selected and approved by the Committee based on the recommendations of independent compensation consultants.

Comparison group survey results, collected and compiled by the independent compensation consultants, establish the bases for salary ranges for each senior management position with the median of the survey results determining the normal target level for each position. The base salary level within the designated salary range for each executive officer is determined by the officer's experience in the utility industry, experience in the current position and overall individual performance.

Annual Performance Incentive Compensation Plan

The Annual Performance Incentive Compensation Plan (the "Incentive Plan") for Utilities and Energy executive officers is designed to recognize their contributions to corporate and business results. The Incentive Plan provides for annual cash awards based on corporate and business unit performance and individual contribution to the achievement of the Corporation's planned results. The performance goals and the weightings of the various measures are approved annually by the board of directors. Target awards are generally weighted 50% for corporate and/or business unit performance, 40% for specific business achievements (the "Measures") and 10% for individual contribution. The measures in 1994 focused on specific business achievements such as continuous improvement, customer satisfaction, sustainable development, co-generation plant operations, new business earnings and new project development.

The target awards, which range from 20% of base salary for Utilities Vice-Presidents to 35% for the President and Chief Executive Officer for fully satisfactory corporate, business unit and individual performance, will result in annual total cash compensation that is median competitive relative to the above comparison groups.

A minimum threshold earnings per share ("EPS") target was set for 1994 and had to be achieved before any payments could be made from the Incentive Plan to senior officers. Depending on the achievement of EPS targets and success with the Measures, payments can range from nil, if the minimum EPS threshold target is not met, up to a board approved maximum limit of 200% of the target award if the EPS target and Measures targets are greatly exceeded and if individual performance is assessed as excellent, thus placing a significant portion of compensation at risk each year.

The achievements of Vice-Presidents relative to their specific Measures generally determines the performance achievement of the President and Chief Operating Officer or the Senior Vice-President to whom they report. The resulting achievements of the President and Chief Operating Officers of Utilities and Energy, Senior Vice-Presidents, and directly-reporting Vice-Presidents, likewise generally determine the performance achievement of the President and Chief Executive Officer. This process encourages and rewards corporate and business unit teamwork and promotes individual and team coaching for improved performance.

Stock Options

Stock option grants align the interests of executive officers and other key employees with the interests of shareholders and provide competitive long-term performance incentive compensation. Grants are made under the TransAlta Corporation Share Option Plan to executive officers after taking into consideration the number of options currently held by each executive officer, position level, overall individual performance, anticipated future contribution to the Corporation's success, and the ability of the individual to influence corporate and business unit performance.

Chief Executive Officer Compensation

The compensation of the President and Chief Executive Officer ("CEO") consists of an annual base salary, a potential performance incentive payment and stock options. The annual base salary is determined by first establishing a salary range, in the manner described in the above discussion of base pay determination for all executive officers, and positioning the CEO within such range based on his or her experience and performance.

The target award was set at 35% of base salary for the CEO in 1994. The incentive payment could range from nil, if the pre-set minimum EPS target was not met, to a maximum of 70% of base pay if the pre-set EPS target was achieved, if specific measures targets were greatly exceeded by direct reports and if individual performance measures were assessed as excellent.

The incentive compensation measures for the CEO in 1994 consisted of an EPS target weighted at 50% of the target award, a weighting of 40% of the target award for a number of specific quantitative and qualitative business measures focused on new business earnings, new project development, customer satisfaction, sustainable development and continuous improvement. The balance of 10% was the weighting applied to individual performance assessment measures. The CEO's performance payment arising from the business measures targets is determined by the performance on specific measures of the officers reporting directly to him, including the President and Chief Operating Officers of Utilities and Energy, Senior Vice-Presidents and certain Vice-Presidents.

The EPS target for 1994 was exceeded. In assessing the CEO's performance the Committee noted the contributions made by the CEO in securing new business and seeking additional long term revenue sources in areas of related expertise to supplement low to moderate growth in traditional markets. In the areas of customer satisfaction, safety, attention to environmental issues and providing a competitive source of electrical energy the Committee also recognized the CEO's accomplishments.

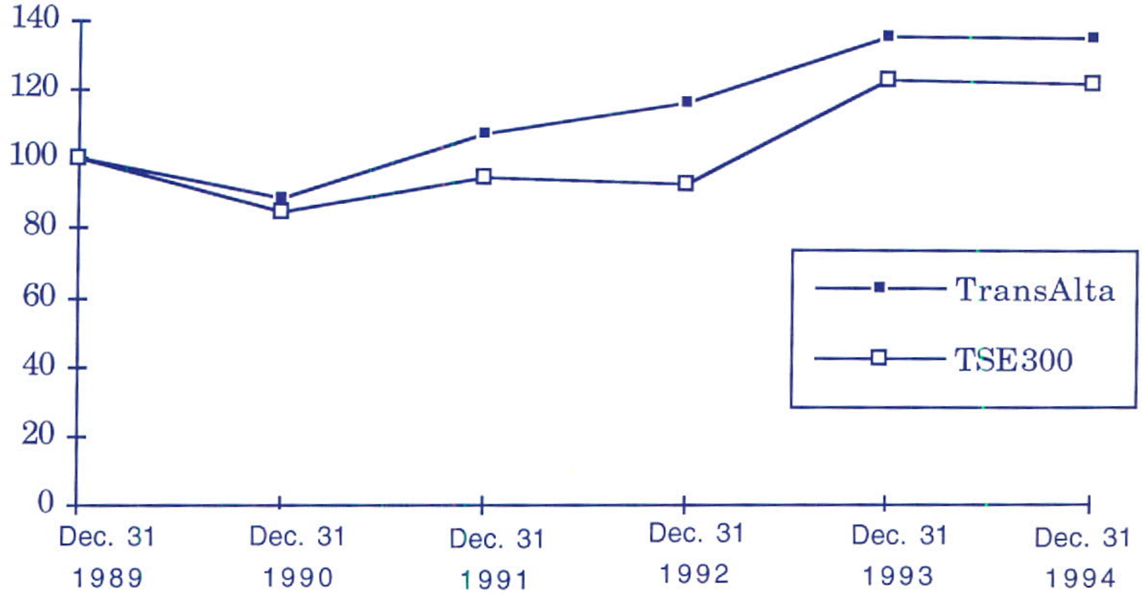
BY THE HUMAN RESOURCES COMMITTEE

J. Wallace Madill, Committee Chairman
Richard F. Haskayne, F.C.A.
Ross F. Phillips, F.C.A.

COMPARATIVE SHAREHOLDER RETURN

This line graph and table compare the return on the Corporation's Common Shares for the period 1990 through 1994, assuming a $100 initial investment with all dividends reinvested, to the cumulative returns, for the same investment with all dividends reinvested, in respect of The Toronto Stock Exchange "TSE 300" Total Return Index.

Cumulative Value of a $100 Investment
Assuming Reinvestment of Dividends



TransAlta	$100	$89	$109	$118	$138	$138
TSE 300	$100	$85	$ 95	$ 94	$125	$124

APPOINTMENT OF AUDITORS

Management of the Corporation proposes to nominate Ernst & Young, Chartered Accountants, the present auditors of the Corporation, as auditors of the Corporation to hold office until the next annual meeting of shareholders.

AMENDMENTS TO SHARE OPTION PLAN

On November 10, 1994, February 10, 1995, and March 7, 1995 the board of directors of the Corporation adopted amendments to the TransAlta Corporation Share Option Plan (the "Plan"), subject to approval by a resolution of the shareholders of the Corporation as required under the rules of the Toronto Stock Exchange. The purpose of the Plan is to encourage key employees of the Corporation and its subsidiaries to promote the financial interests, growth and development of the Corporation, to recognize the contribution of such employees to the success of the Corporation and to encourage such employees to remain in the employ of the Corporation and its subsidiaries by providing them with the opportunity through share options to acquire a proprietary interest in the Corporation.

The Plan is administered by the Human Resources Committee (the "Committee"). Individuals who are eligible to receive options are limited to employees of the Corporation and its subsidiaries designated by the Committee upon the advice of the President and Chief Executive Officer of the Corporation. Under the Plan, options are granted for an exercise price not less than the last board lot sale price on The Toronto Stock Exchange on the last business day prior to the date of the grant. Options typically vest over a five year period and are for a term of 10 years.

The following is a summary of amendments made to the Plan subject to shareholder approval (and the Plan, as amended, is referred to herein as the "Amended Plan"):

1. The number of Common Shares in the capital of the Corporation which may be issued has been increased to 6,000,000 under the Amended Plan. This amount is calculated by taking the 2,000,000 Common Shares originally reserved under the Plan, deducting therefrom 116,200 Common Shares issued prior to November 10, 1994 pursuant to the exercise of options granted under the Plan, and adding thereto an additional 4,116,200 Common Shares reserved for issuance under the Amended Plan. 98,000 options have been issued pursuant to shareholder approval of additional shares reserved for issuance under the Amended Plan.

2. A restriction has been inserted that prohibits any participant in the Amended Plan from holding, pursuant to the Amended Plan and any other share compensation arrangements of the Corporation, options to acquire more than five percent of the outstanding Common Shares of the Corporation.

3. Under the Plan, option holders or their executors or personal representatives, under certain circumstances, could exercise options after the normal expiry date of the options on the tenth anniversary of the grant thereof. These provisions have been revised with respect to options granted on or after November 10, 1994 such that in no event may an option be exercised after the normal expiry date on the tenth anniversary of the grant. Options granted under the plan prior to November 10, 1994 will be unaffected by this amendment.

4. Under the Plan, upon the termination of an employee due to retirement or physical disability, the employee had a choice of: (i) accelerating the vesting of his or her options with the term of the options being revised to be the first anniversary of such retirement, or (ii) having the options continue in effect in accordance with their terms. Notice of the employee's election was required to be provided within 60 days of termination, however the Plan was silent as to the consequences in the event that the employee failed to provide the required notice. The Plan has been revised to provide that if an employee fails to provide the required notice, that person will be deemed to have elected to have his or her options continue in effect in accordance with their terms.

5. The Plan has been revised to require necessary approvals from The Toronto Stock Exchange with regard to the amendment of existing option agreements or the amendment or discontinuance of the Amended Plan.

A shareholder desiring to review the Amended Plan in its entirety may receive a copy, free of charge, by contacting the Assistant Corporate Secretary of the Corporation at 110 - 12th Avenue S.W., Box 1900, Calgary, Alberta T2P 2M1.

At the Meeting, the following resolution will be placed before shareholders for approval:

"BE IT RESOLVED THAT:

1. Amendments to the TransAlta Corporation Stock Option Plan (the "Plan"), on the terms substantially as described in the Corporation's Management Proxy Circular dated March 7, 1995, are hereby ratified, approved and confirmed.

2. Any director or officer of the Corporation is hereby authorized to execute and deliver all documents, including the definitive form of the Plan with the amendments incorporated therein, and to do such other acts and things as may be required to give effect thereto."

In order to be passed the resolution must be confirmed by a majority of votes cast at the Meeting.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation has purchased directors' and officers' liability insurance which has an aggregate claim limit of $50 million each policy year for all directors and officers of the Corporation and its subsidiaries. The annual cost of this coverage in 1994 was $89,450 for an aggregate annual claim limit of $20 million. There is no deductible with respect to claims against insured persons. The Corporation is also insured and a deductible amount of $100,000 is applicable with respect to losses subject to corporate reimbursement. The cost of this insurance is paid by Utilities and Energy.

OTHER MATTERS

Management knows of no other matter to come before the Meeting. The accompanying instrument of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. If any other matters which are not known to management properly come before the Meeting, the shares represented by proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of such nominees.

ADDITIONAL INFORMATION

Additional information regarding the business of the Corporation is contained in the Corporation's Annual Information Form dated May 13, 1994, and documents incorporated by reference therein. Additional financial information regarding the Corporation is provided in the Corporation's comparative consolidated financial statements for the year ended December 31, 1994. Copies of these documents, the Corporation's Annual Information Form for the fiscal year ended December 31, 1994 (when it becomes available) and documents incorporated by reference therein (when they become available), any interim financial statements for periods subsequent to December 31, 1994 and additional copies of this Management Proxy Circular may be obtained upon request from the Assistant Corporate Secretary of the Corporation at 110 - 12th Avenue S.W., Box 1900, Calgary, Alberta, T2P 2M1.

If the person requesting the documents is not a security holder of the Corporation, he or she may be required to pay a reasonable charge for these documents.

DIRECTORS' APPROVAL

The contents of this Management Proxy Circular and the sending thereof have been approved by the Board of Directors of the Corporation.

Calgary, Alberta
March 7, 1995

D.W. Boone
Corporate Secretary

THE COVER PHOTOS HIGHLIGHT THREE OF TRANSALTA'S ACCOMPLISHMENTS IN 1994

Maintenance work at the Sundance Generating Plant

Improving the planned maintenance practices at TransAlta Utilities' coal-fired generating plants is one example of the more efficient work practices employees put in place during the year.

For more information on increasing productivity see page 10 of this report.

Electricity being generated at Piedra del Aguila

The third and fourth units of the 1,400-megawatt Piedra del Aguila hydroelectric facility in Argentina were completed in 1994.

For more information on TransAlta Energy's investments in independent power see pages 14 and 15 of this report.

Construction to extend a transmission line near Banff

TransAlta Utilities worked together with the Town of Banff, Canada Parks Services, the Canadian Parks and Wilderness Society and the area community to address local energy supply needs in an environmentally acceptable manner.

For more information on the corporation's commitment to protect the environment see pages 16 and 17 of this report.

Head Office
110 - 12th Avenue S.W.
Calgary, Alberta, Canada

Postal Address
Box 1900, Calgary, Alberta, Canada
T2P 2M1

Auditors
Ernst & Young, Chartered Accountants
Calgary, Alberta, Canada

Ticker Symbol:
TA for TransAlta Corporation common shares

TAU for TransAlta Utilities first preferred shares

Listed on the Alberta, Montreal and Toronto stock exchanges

Transfer Agents and Registrars – TransAlta Corporation

Common Shares:
Montreal Trust Company
Vancouver, Calgary, Edmonton, Regina, Winnipeg, Toronto, Montreal

Dividend Reinvestment and Share Purchase Plan:
Montreal Trust Company – Calgary

Trustees and Registrars – TransAlta Utilities

First Mortgage Bonds:
Montreal Trust Company
Vancouver, Calgary, Toronto, Montreal

Secured Debentures:
The R-M Trust Company
Vancouver, Calgary, Toronto, Montreal

Transfer Agent and Registrar – TransAlta Utilities

First Preferred Shares:
Montreal Trust Company
Vancouver, Calgary, Edmonton, Regina, Winnipeg, Toronto, Montreal

Common Share Information

The corporation's common shares were split 3 for 1 on May 8, 1980, and 2 for 1 on February 1, 1988.

The valuation day value of common shares owned on December 31, 1971, adjusted for stock splits, is $4.54 per share.

The adjusted cost base of common shares held on January 31, 1988, is reduced by $0.75 per share subsequent to the February 1, 1988 split.

The closing price of the common shares on the Toronto Stock Exchange on February 22, 1994 was $16.00.

FOR MORE INFORMATION TransAlta Corporation offers additional environmental information through its Environmental Performance Report and financial information through its Financial Statistical Summary and Interim Reports to Shareholders.

For copies, please contact: Ken J. Wetherell, Assistant Corporate Secretary,
TransAlta Corporation, 110 - 12th Avenue S.W., Box 1900, Calgary, Alberta, Canada T2P 2M1
Telephone: 1-800-387-3598 toll free in Canada or (403) 267-7301 in Calgary and outside Canada.
Fax: (403) 267-2559, (403) 267-4764

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Vegetable-based inks were used throughout the report.

TransAlta Corporation

Printed in Canada 339-0039