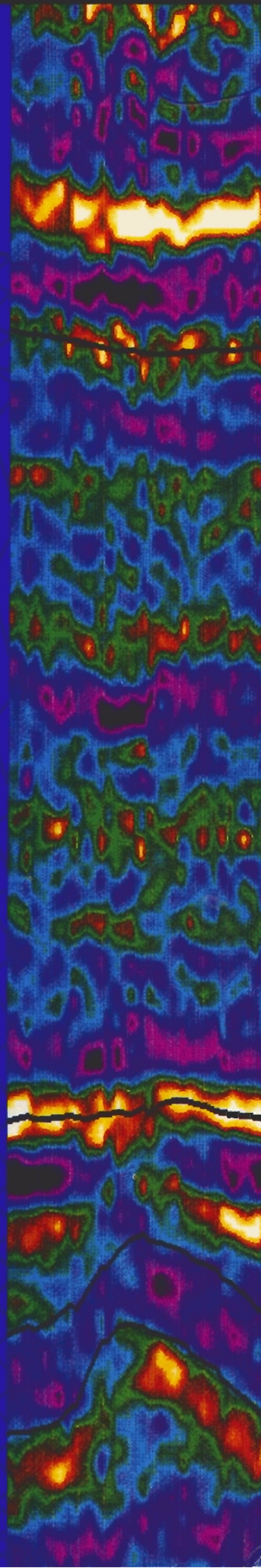
AEC



CORPORATE PROFILE

ALBERTA ENERGY COMPANY LTD. (AEC) IS ONE OF THE TEN LARGEST OIL AND GAS COMPANIES IN CANADA, WITH MORE THAN 40,000 SHAREHOLDERS AND A STOCK MARKET VALUE IN EXCESS OF $1.3 BILLION. MORE THAN 90 PERCENT OF AEC'S ASSETS ARE IN OIL AND GAS EXPLORATION, PRODUCTION, MARKETING, STORAGE AND PIPELINE TRANSPORTATION. THE COMPANY ALSO HOLDS FOREST PRODUCTS OPERATING INTERESTS SUPPORTED BY CLOSE TO TWO MILLION ACRES OF CANADIAN TIMBERLAND.

CONTENTS

ADDITIONAL INFORMATION

Further information can be obtained by contacting AEC investor relations at (403) 266-8111.

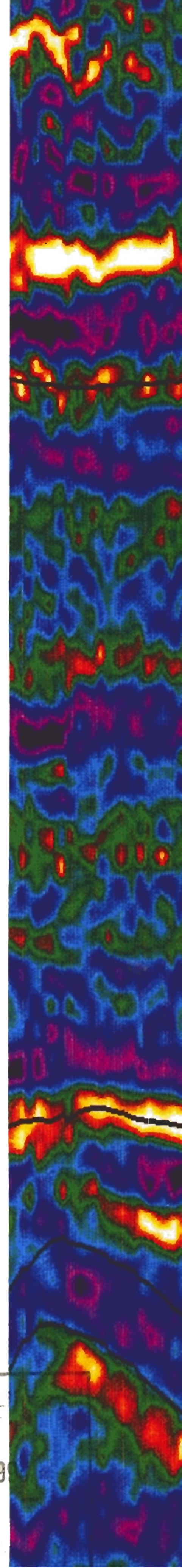
The body of this report is printed on stock containing 15 percent chemi-thermo-mechanical pulp (CTMP) produced at the Company's Slave Lake mill. The CTMP process uses no chlorine and produces no chlorinated dioxins or furans. The stock also includes 50 percent recovered fibre, including 10 percent post-consumer waste. The cover stock is comprised of 50 percent recovered materials, at least 10 percent of which is post-consumer.

ALBERTA ENERGY COMPANY HIGHLIGHTS

KEY FINANCIAL RESULTS	1993	1992	% Change
Cash Flow from Operations *($ millions)*	**267.5**	225.3	19
Per Share *($)* – Basic	**3.75**	3.19	18
– Fully Diluted	**3.54**	3.06	16
Net Earnings *($ millions)*	**91.6**	42.2	117
Per Share *($)* – Basic	**1.23**	0.53	132
– Fully Diluted	**1.21**	0.53	128
Capital Investment *($ millions)*	**275.3**	102.7	168
Year-End Long-Term Debt *($ millions)*	**430.0**	449.6	(4)
Debt-to-Cash Flow Ratio *(times)*	**1.6**	2.0	(20)
Average Interest Cost *(percent)*	**5.2**	6.4	(19)
Return on Common Equity *(percent)*	**10.0**	4.5	122
KEY OPERATING RESULTS			
Produced Natural Gas Sales *(million cubic feet per day)*	**332**	300	11
Conventional Oil and Natural Gas Liquids Sales *(barrels per day)*	**8,923**	7,889	13
Syncrude Oil Sales *(barrels per day)*	**22,118**	17,870	24
Gas Price *($ per million BTU)*	**1.76**	1.38	28
Conventional Oil and Natural Gas Liquids Price *($ per barrel)*	**15.91**	16.61	(4)
Syncrude Oil Price *($ per barrel)*	**20.97**	22.79	(8)
Oil Pipeline Throughputs *(barrels per day)*	**355,271**	341,820	4
Lumber Sales *(million board feet)*	**212**	217	(2)
Medium Density Fibreboard Sales *(million square feet)*	**65**	59	10
Pulp Sales *(thousand air dried tonnes)*	**89**	82	9

MAJOR HIGHLIGHTS

- *The Government of Alberta sold its remaining $476 million of AEC shares in May.*
- *On October 29, the AEC Act was repealed. At a subsequent meeting, shareholders approved changes to the By-Laws and Articles reflecting repeal of the Act.*
- *David E. Mitchell, O.C., founding President and C.E.O., retired at year-end to become non-executive Chairman. Gwyn Morgan was appointed President and Chief Executive Officer.*
- *Gas and oil reserves of 240 billion cubic feet equivalent (BCFE) added during the year substantially exceeded 1993 production of 154 BCFE.*
- *The natural gas storage facility at Suffield was expanded to 1.1 billion cubic feet of injection/withdrawal capacity. The AECO C HUB™ became Canada's dominant natural gas storage, trading and market centre.*
- *A new 100 percent owned, 55 million cubic feet per day natural gas plant at Caribou Lake on the Primrose Block started up in November.*
- *Drilling activity tripled to 153 wells, with an 80 percent success ratio.*
- *AEC's interest in Syncrude was increased from 10 to 13.75 percent.*
- *AEC sold its interests in the nitrogen fertilizer business.*
- *AEC's credit rating was upgraded to "A" by two Canadian bond rating services.*



CHAIRMAN'S REMARKS TO SHAREHOLDERS

David E. Mitchell, O.C.

In 1993, AEC achieved record earnings of $91.6 million and record cash flow from operations of $267.5 million. Compared to the prior year, earnings per share were up 132 percent and cash flow per share increased 18 percent.

Capital investment nearly tripled to $275 million, compared with the prior year, 89 percent of it in the gas and oil business. The Company's "A" credit rating was confirmed by the two major Canadian bond rating agencies. AEC had a year-end debt-to-cash flow ratio of 1.6 times and average interest cost of 5.2 percent.

A major milestone in 1993 was the Alberta Government's sale of all of its 25.1 million AEC common shares for $476 million. This caused a huge, sudden increase in the number of shares available for trading and, to some extent, the stock market is still adjusting to the increased liquidity. The share divestment and subsequent repeal of the AEC Act made the Company fully privatized and removed all restrictions on share ownership.

As the graph on page 3 illustrates, each of the Company's core businesses contributed to the year's results. Especially noteworthy were the improved results from natural gas and strong performance from forest products.

Activities during the year included establishment of the largest independent gas storage facility in North America, addition of gas and oil reserves significantly greater than production, and increased Syncrude ownership to 13.75 percent. As well, the Company further focussed its activities by divestiture of its ownership in the fertilizer business. AEC people are to be congratulated for working with great dedication in a challenging year that resulted in several production records and another exceptional safety record.

The year just ended was my last as your President and Chief Executive Officer, a position held since the Company became operational with a staff of four in 1975. So, this is an appropriate time to note AEC's basic strengths. The first one is committed people, a vital ingredient in any successful organization. The assets they have established include:

- Gas reserves of 1.8 trillion cubic feet, which have a 15-year reserve life at 1993 production rates.
- Syncrude reserves of 246 million barrels, with a reserve life of 27 years.
- Conventional oil reserves of 27.7 million barrels, with a reserve life of 8 years.
- Approximately 1 million net acres of western Canadian exploratory lands, underpinning future oil and gas development.
- A $100 million natural gas storage project creating a cost-efficient, one-stop market centre for Alberta's producers.
- A $250 million investment in 2,200 miles of major pipeline systems, transporting oil, natural gas and ethane. AEC is the largest oil pipeliner in Alberta.
- Close to 2 million acres of valuable timberland in north and central Alberta and plants producing lumber, medium density fibreboard and environmentally friendly, chlorine-free pulp for worldwide markets.
- A 22 percent ownership of Chieftain International, which had a year-end market value of $50 million.

Each AEC core business contributed to 1993 results. Particularly noteworthy were improved results from natural gas and strong performance from forest products.

Financially, the Company has a very solid base. Accounting principles are conservatively applied and there are no significant write-offs threatening. In fact, the estimated future net revenues less costs from AEC's conventional oil and gas reserves is more than one-half billion dollars greater than the carrying value of the reserves. And, the value of pension assets exceeds pension obligations by approximately $20 million. The Company is not the defendant in any significant lawsuits and has been unusually free of costly litigation.

Total market capitalization is currently in excess of $1.3 billion. In 1993 a combined average of 284,000 shares and instalment receipts traded each market day.

AEC places priority on its people. The Company has extensive training and development programs, with job changes being an integral part of that process. Through numerous internal transfers and reallocation of personnel to growth areas, the Company has been able to avoid layoffs.

A special thank you is in order to AEC's shareholders, who have been most supportive. AEC still retains an estimated 50 percent of its original shareholders and approximately 22,500 of current shareholders own 100 shares or fewer. Today, about three-quarters of the outstanding shares are held by large pension funds and other institutional investors, professionals who put capital to work on behalf of hundreds of thousands of individuals.

Our 1992 Annual Report included several pages of comment on the Company's great respect for the environment, employee activities to benefit the community, and our extensive support over the years of a wide variety of community programs. Suffice it to say, these activities and beliefs continue to be an integral part of AEC's involvement in our communities as a responsible corporate citizen.

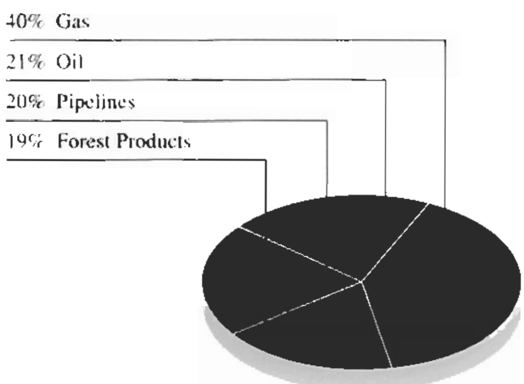
Gwyn Morgan, President of AEC Oil and Gas and a member of the AEC management team since 1975, is now your Chief Executive Officer. The Company is in an excellent position for continued successes and I expect it will do very well in the future.

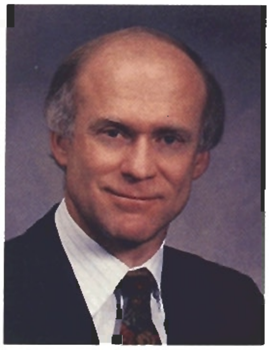
It has been a pleasure and great privilege to serve as your Chief Executive Officer.

David E. Mitchell, O.C.
Chairman

February 18, 1994

1993 Operating Income





Gwyn Morgan

Of total AEC assets 60 percent are in natural gas reserves, exploration land, marketing, storage and pipelining. These assets are well positioned for success in the new era of the natural gas industry, an era which is characterized as "back to basics." This follows almost a decade of industry rationalization induced asset trading and staff downsizing, with Canadian gas prices depressed by deliverability exceeding pipeline capacity. Through this entire period, AEC maintained its confidence in the natural gas business and continued to focus on adding gas reserves "through the drill bit" with its capable exploration and development teams, supported by the latest practical technology. The Company reduced its finding and development costs and strengthened its position as one of the lowest operating cost natural gas producers in the industry. AEC developed a unique position as owner and operator of Canada's largest natural gas storage and market centre, and took advantage of related business opportunities for attractive cost-of-service investments in gas pipelines and natural gas liquids extraction facilities.

As a result of these strategies, AEC enters this new era of extraordinary change and growth in the natural gas industry with an excellent base of gas reserves, a large investment in high quality, low cost production facilities, a solid inventory of unexplored properties and a growing profitable natural gas storage and market centre.

Of total assets 34 percent are invested in conventional and synthetic oil reserves, production facilities, exploration properties, pipelines and a power generation plant serving Syncrude. AEC is the second largest owner of the Syncrude facility which has been a solid and steady contributor to cash flow, even with currently depressed oil prices. Syncrude's cost reduction efforts continue to pay dividends and a new strategic growth plan will further decrease costs and increase future production. About 20 percent of AEC's exploration dollars have been directed to conventional oil with good success. Proven reserve additions were almost twice production in 1993.

AEC's Alberta oil pipelines have long provided a reliable, attractive underpinning for profits, independent of commodity price variations. Our pipeline group has developed a reputation for safe, cost effective, customer oriented performance along with technical competence and innovation that will be valuable as we seek opportunities for further expansion of pipelines investment.

Looking at oil and gas activities in total, 1993 was a year of excellent growth in reserves and production assets. Growth in pipeline throughputs created opportunities for further expansion. AEC's gas storage and market centre hub grew exponentially to become a key underpinning of the reliability and efficiency of Canada's natural gas supply. AEC's first direct international oil and gas investment was undertaken in Argentina.

Of total assets 6 percent are in forest products including state-of-the-art, environmentally sound facilities anchored by close to two million acres of Alberta timberland, which is becoming increasingly valuable in the face of tightening world timber supplies. These operations, which are run through affiliates separate from the Company's oil and gas investments, contributed more than their share to AEC's excellent 1993 results and provide a relatively unrecognized future upside for AEC shareholders.

Alberta Energy Company embarks on its 20th year in an excellent position to build shareholder value upon an extraordinarily strong foundation of strategically positioned assets, financial strength and capable people.

Looking further to the future, AEC's investments will continue to be dominated by western Canadian oil and gas opportunities, including exploration and possible reserves acquisition, and further growth in production, natural gas storage and pipelines. Forest products will continue to add value through efficient operations, a solid resource position and pulp price recovery.

AEC will continue to take a conservative approach to published oil and gas reserves estimates, accounting procedures and projections. Overall, the focus will be on shareholder results including enhancement of underlying asset value, cash flow and earnings per share. Investment and operational strategies will be designed to maximize asset value and the full-cycle profitability of assets, rather than sacrificing the Company's underlying value in favour of short-term results. My new management team believes these to be fundamentally sound management principles which will optimize both short- and long-term financial performance for our shareholders.

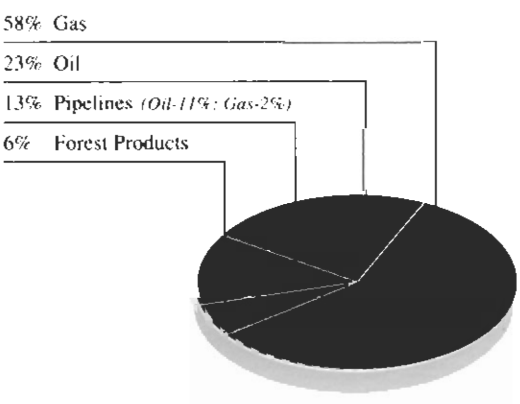
AEC's ability to finance profitable growth without shareholder dilution is clearly demonstrated by the fact that 1993 capital investments totalled $275 million, while debt fell by $20 million, and the Company did not undertake an equity issue. AEC is among the five largest of approximately fifty oil and gas companies listed on the Toronto Stock Exchange, in terms of stock market value available for trading. This provides excellent investment liquidity to AEC shareholders.

It is traditional for Chief Executive Officers to comment on the positive contributions of staff. In the case of AEC's people, it is difficult to find the words to appropriately describe the dedication, enthusiasm and capability they have shown in achieving the accomplishments evident in this annual report. Perhaps the best way to express it is to say very few incoming Chief Executive Officers are able to assume leadership of such an extraordinarily fine team.

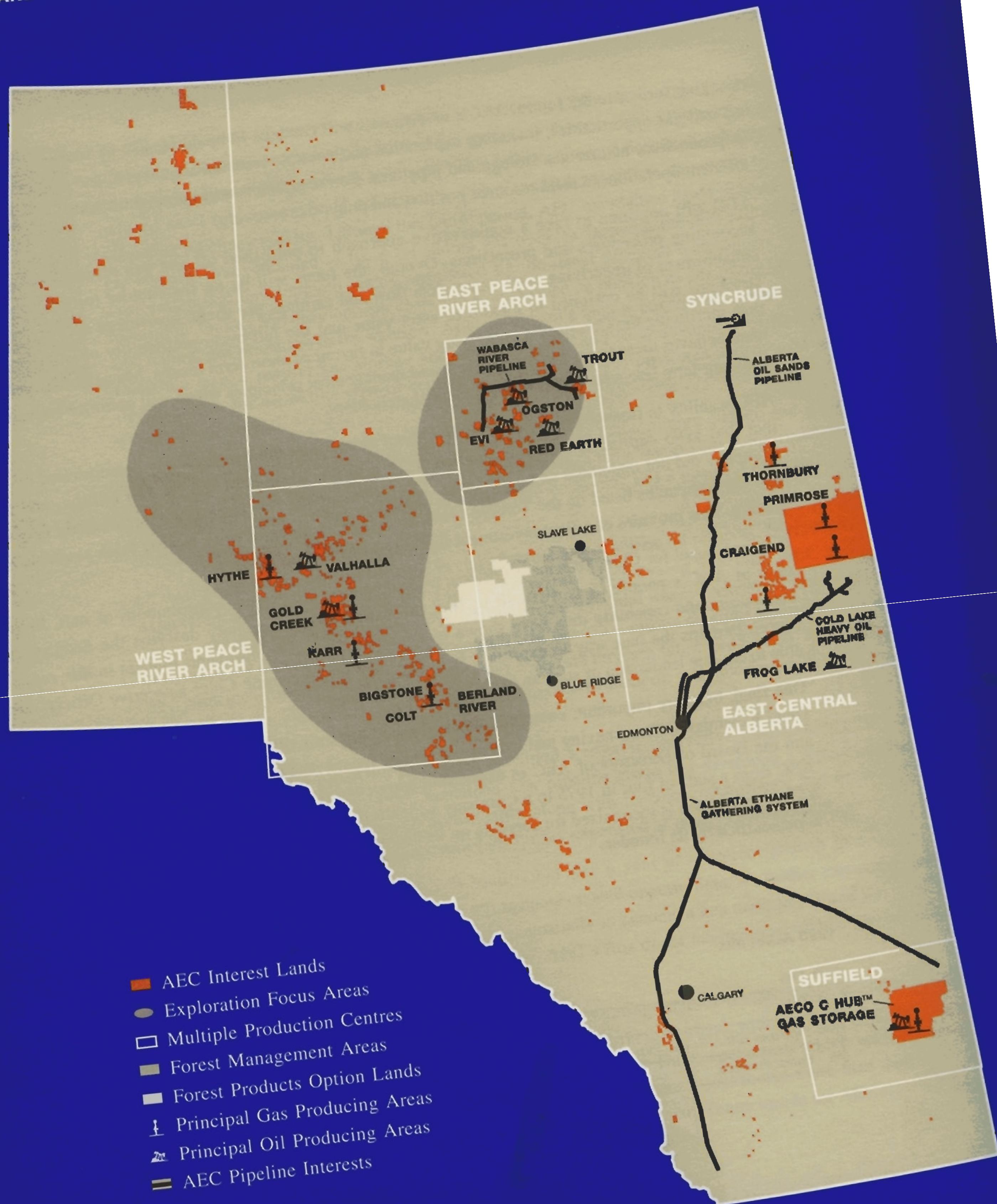
One final, but very important, comment. Dave Mitchell has retired as AEC's founding President and Chief Executive Officer, having just overseen a year of record results. I know I am joined by the staff and the Board of Directors of AEC in expressing appreciation and admiration of the man who built AEC from a staff of four in 1975 to a Company which is one of the leaders in the resource industry – a Company which is recognized for carrying on its business at a level of competence and integrity that is personified by its founder.

Gwyn Morgan
President and
Chief Executive Officer
February 18, 1994

1993 Asset Mix



AEC LANDHOLDINGS AND MAJOR PROJECT LOCATIONS



OIL AND GAS

Investments in oil and gas exploration land, reserves, production and storage facilities comprise 75 percent of assets. AEC has unusually high working interests averaging 95 percent and 70 percent in its gas and conventional oil production, respectively. This enables focussed and decisive response to exploration opportunities and production and marketing strategies. AEC owns a 13.75 percent working interest in Syncrude, as well as equity investments in the Pan-Alberta companies, Chieftain International, and AEC Power.

EXPLORATION AND PRODUCTION

A primary goal is to find and develop at a profit new conventional oil and natural gas reserves which will at least replace the Company's large annual production. A second objective is to be one of Canada's lowest cost conventional gas and oil producers. A third objective is to add further value through unique and innovative marketing and storage strategies.

The Company has achieved these objectives by concentrating activities in regions where the Company's exploration land base, reserves, facility position, employee experience and expertise, along with the latest proven technology, give AEC a competitive edge.

AEC concentrates production and exploration activities in four geographic focus areas in the Western Canadian Sedimentary Basin – Suffield, West Peace River Arch, East Central Alberta, and East Peace River Arch. Work is done by multi-disciplinary teams, which cover the spectrum of exploration, development, reserves acquisition, reservoir engineering and production technologies. Each team develops in-depth knowledge of the geological environment and reservoir parameters specific to its focus area, enabling the team to apply the most suitable exploitation techniques for maximum reserve recovery and production.

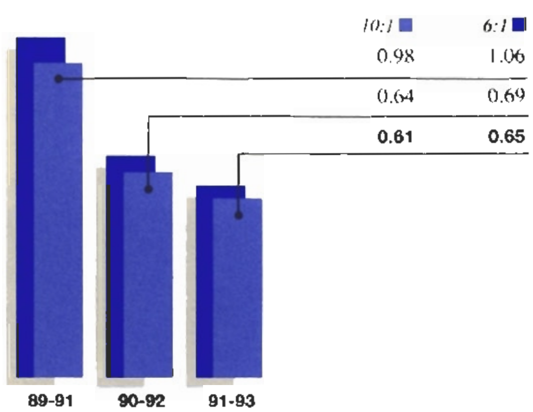
Reserves Reconciliation

Natural Gas *(billion cubic feet)*	Proven	Probable	Total
Balance at December 31, 1992	1,461	279	1,740
Revisions of Established Pools	1	(1)	–
Discoveries and Extensions	73	12	85
Acquisition of Reserves	68	31	99
Production	121	–	121
Balance at December 31, 1993	**1,482**	**321**	**1,803**
Crude Oil and Natural Gas Liquids *(million barrels)*			
Balance at December 31, 1992	16.9	8.4	25.3
Revisions of Established Pools	(0.7)	(0.5)	(1.2)
Discoveries and Extensions	4.9	0.8	5.7
Acquisition of Reserves	1.0	0.2	1.2
Production	3.3	–	3.3
Balance at December 31, 1993	**18.8**	**8.9**	**27.7**
Synthetic Oil *(million barrels)*			
Balance at December 31, 1992	186	–	186
Acquisition of Reserves	69	–	69
Production	9	–	9
Balance at December 31, 1993	**246**	**–**	**246**

Current discoveries and any significant changes to reserves are evaluated each year by McDaniel & Associates Consultants Ltd., which also reevaluates all other reserves over a period of not greater than five years.

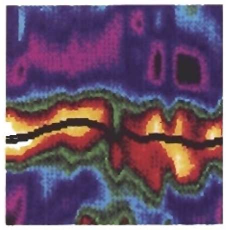
Finding and Development Costs
Three-Year Average

($/Thousand Cubic Feet of Gas Equivalent)



($/Barrel of Oil Equivalent)	1989-91	1990-92	**1991-93**
10:1	9.80	6.40	**6.10**
6:1	6.35	4.15	**3.90**

Computer technology is used extensively by AEC's exploration teams. The graphics opposite and on the report cover are reproductions of 3-D seismic data from an AEC drilling location in the Red Earth pool of the East Peace River Arch.



While oil and gas production has steadily increased over the years, unit operating costs have remained flat at $0.24 per thousand cubic feet for gas and $4.06 per barrel for conventional oil, far below industry averages. Increasing netbacks have been further enhanced by rising gas prices and AEC's effective use of natural gas marketing and storage strategies.

During 1993, AEC's overall drilling success rate was 80 percent. The Company participated in 153 wells resulting in 69 gas and 49 oil wells, as well as 4 cased for further evaluation and 31 dry holes. Exploration drilling more than tripled in the past year to a total of 77 wells. Exploration drilling in 1994 is expected to be at levels comparable to 1993, as AEC continues to explore its 967,000 net acres of undeveloped lands in western Canada.

AEC maintains a strong record on safety and environmental issues. Another complete audit of oil and gas field operations was conducted in 1993. The Company's accident record continues to improve due to a focus on reporting and analyzing incidents which could have led to accidents.

SUFFIELD

The Suffield region in southeastern Alberta continues to be AEC's major production area. With a staff of only 115, Suffield produced an average 178 million cubic feet of gas and 4,186 barrels of oil each day from this area. Suffield boasts over 2,600 producing natural gas wells and 189 producing oil wells. The field has been producing for seventeen years and has an expected further twenty-year economic life. Suffield proven and probable reserves are estimated to be 814 billion cubic feet of gas and 6.4 million barrels of oil.

Gas production at Suffield is characterized by a very low operating cost of $0.19 per thousand cubic feet, resulting in attractive profit margins. AEC has developed a master plan to minimize normal field declines and to control operating costs. In 1993, the plan included drilling 24 new shallow gas wells to accelerate production and improve recovery.

Drilling Statistics

	1993		1992	
Exploration Wells	**Gross**	**Net**	Gross	Net
Gas	**30**	**20**	5	5
Oil	**18**	**11**	3	2
Cased	**3**	**3**	–	–
Dry and Abandoned	**26**	**15**	9	8
Total	**77**	**49**	17	15
Success Rate *(percent)*	**66**	**69**	47	47

	1993		1992	
Development Wells	**Gross**	**Net**	Gross	Net
Gas	**39**	**38**	6	5
Oil	**31**	**18**	22	9
Cased	**1**	**1**	–	–
Dry and Abandoned	**5**	**2**	1	–
Total	**76**	**59**	29	14
Success Rate *(percent)*	**93**	**97**	97	100

Landholdings	Total		Undeveloped		Developed	
(Thousand Acres)	Gross	Net	Gross	Net	Gross	Net
Alberta	3,713	2,928	992	809	2,721	2,119
Saskatchewan	99	33	54	29	45	4
British Columbia	274	159	208	129	66	30
Western Canada	4,086	3,120	1,254	967	2,832	2,153
Beaufort	490	12	490	12	–	–
Argentina	281	281	281	281	–	–
Total	**4,857**	**3,413**	**2,025**	**1,260**	**2,832**	**2,153**

Oil production from the Suffield area was at record levels in 1993. Increased production from 8 new horizontal wells brought total horizontal wells in the field to 23. Horizontal wells are drilled just below the top of the producing formation within 60 metres of existing vertical wells. The new wells, which produce at initial rates of 500 barrels of oil per day, are expected to increase the recovery factor by one-third.

WEST PEACE RIVER ARCH

The multi-zone potential of West Peace River Arch has provided considerable exploration and production success. A total of 35 operated wells are planned for 1994. AEC has 452,000 net acres of land and proven and probable reserves of 418 billion cubic feet of gas and 9 million barrels of oil and natural gas liquids (NGLs) in this area. The Company either operates or has an interest in 12 production facilities. These facilities, along with a well developed product transportation infrastructure, enable AEC to bring new reserves onstream efficiently and quickly.

During 1993, production from this region averaged 54 million cubic feet per day of natural gas and 1,582 barrels per day of oil and natural gas liquids. Growing production levels in 1994 are expected to average 65 million cubic feet and 1,700 barrels per day of gas and oil and NGLs, respectively. The majority of this growth will come from a new production centre in the Berland River/Colt/Bigstone region.

A 1993 exploration highlight was AEC's Bigstone Dunvegan exploration play, in which AEC has a 100 percent working interest in 8 wells. The time between the identification of this liquids-rich gas play and initial onstream production will be less than 18 months. Production start-up, scheduled for the fourth quarter of 1994, will provide AEC with initial daily production capability of 16 million cubic feet of gas and 800 barrels of natural gas liquids.

AEC will begin producing its shut-in deep Devonian discoveries in the Berland River/Colt area in 1994. These reserves will be connected to the Berland River sour gas field facilities and pipeline that AEC acquired in 1993. Average daily 1993 production of 4 million cubic feet per day is expected to increase to an average 10 million cubic feet per day during 1994.

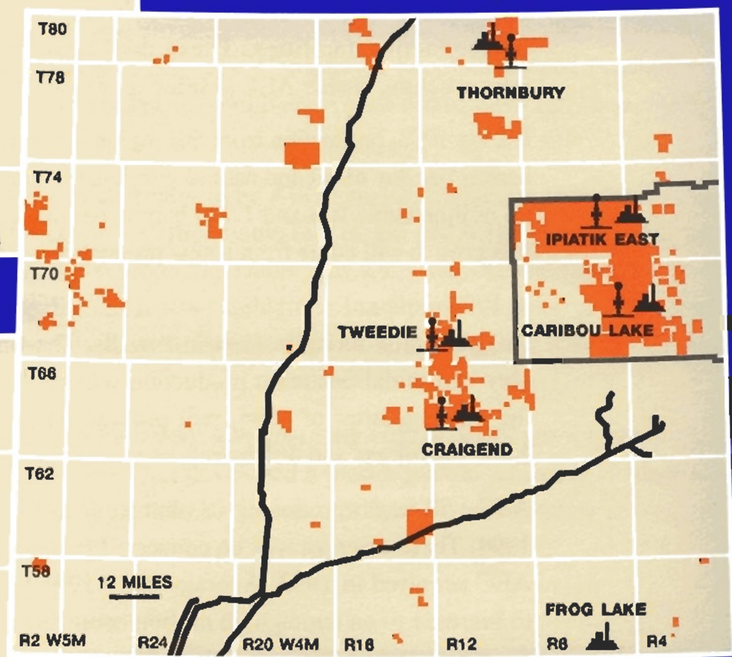
McDaniel & Associates estimates AEC proven and probable reserves for the Berland River/Colt/ Bigstone area at 150 billion cubic feet of gas and 1.4 million barrels of NGLs.

AEC's natural gas storage facility at Suffield is the cornerstone of its AECO C HUB™ market centre. During 1993, storage capacity was expanded to 1.1 billion cubic feet.

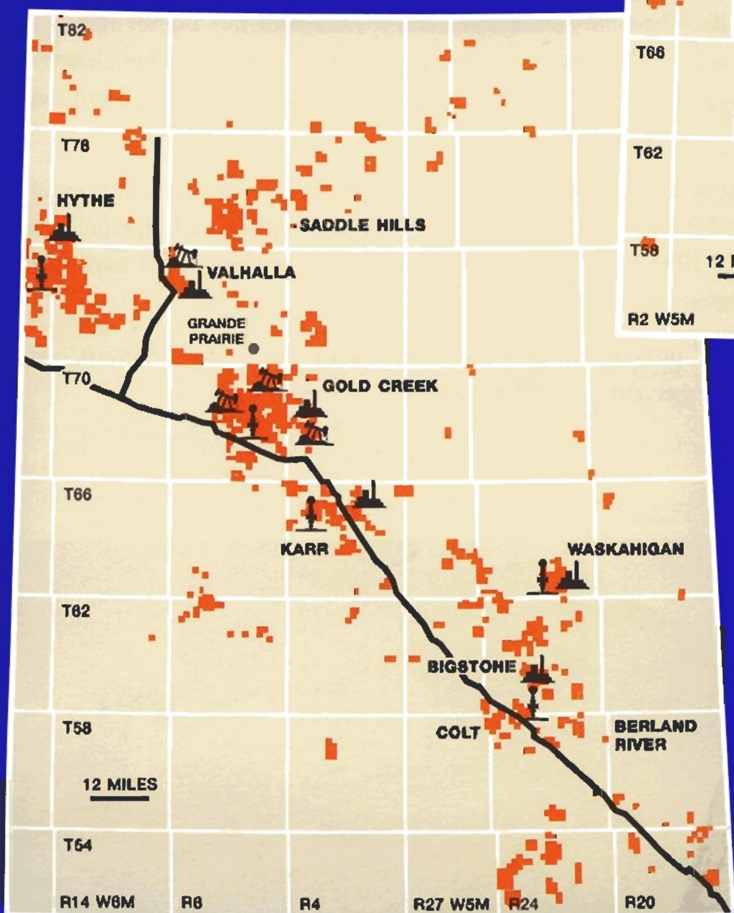
OIL AND GAS FOCUS AREAS

EAST PEACE RIVER ARCH

EAST CENTRAL ALBERTA



WEST PEACE RIVER ARCH



AEC Land
Pipeline
Working Interest Facility
Gas Production
Oil Production

In addition, there are several smaller prospects which came onstream in 1993. A production facility started up mid-year in the Gold Creek East area, providing net production at an initial daily rate of 180 barrels of oil and NGLs and 4 million cubic feet of gas. A facility at Waskahigan came onstream at year-end, with initial daily production levels of 50 barrels of NGLs and 2 million cubic feet of natural gas.

At Valhalla, AEC drilled a successful step-out well and acquired additional lands. This will permit further development in 1994 and increase production beyond the current daily 4 million cubic feet of gas and 250 barrels of oil and NGLs.

EAST CENTRAL ALBERTA

In the past year, AEC undertook significant development activities on its sweet shallow gas properties in East Central Alberta. The area contributed production of 54 million cubic feet per day during 1993, which is expected to grow to over 100 million cubic feet per day in 1994. A large part of this growth is due to a new gas plant at Caribou Lake which started up late in the year. Additional drilling and well tie-ins to this 100 percent owned facility are scheduled for 1994, bringing the plant's expected annual production rate to over 50 million cubic feet per day.

Work is proceeding on a jointly owned gas plant to tie in AEC's 100 percent owned Thornbury wells. Start-up is planned for April 1994. AEC's share of daily production capability initially will be 6 million cubic feet.

At the Frog Lake heavy oil project, 2 vertical and 2 horizontal wells were drilled during 1993.

AEC's reserves in East Central Alberta are 470 billion cubic feet of gas and 2.9 million barrels of heavy oil.

EAST PEACE RIVER ARCH

The East Peace River Arch is AEC's focus area for light oil. About 20 percent of exploration capital has been committed to this area. Extensive staff experience, 3-D seismic technology and recent AEC success yielded strong results in 1993. AEC has 200,000 net acres of land in the area, where total reserves are estimated to be 6 million barrels. AEC plans to drill 15 wholly owned wells in 1994. Production from the area of 2,279 barrels per day in 1993 is expected to grow to 3,200 barrels per day in 1994.

During 1993, AEC further developed its 100 percent owned Red Earth pool. A total of 7 wells were drilled, and an oil battery is being constructed to process production and reduce

The new Caribou Lake gas plant features an 8,500 horsepower gas turbine-driven compressor, one of the largest used in the shallow gas production sector of the oil and gas industry. Blair Rudy, Senior Facilities Engineer, was one of several team members who contributed to the successful development of this project.

field operating costs. Production averaged 364 barrels per day, compared with 76 barrels per day in 1992, but was restricted by both regulatory production rate and pipeline access limitations. Red Earth is expected to average 600 barrels per day in 1994.

Successful follow-up drilling was done on AEC's 100 percent owned Ogston property. AEC currently has 3 discoveries on the play and plans to drill 5 wells in 1994 including an exploration well on a recently acquired 18-section land block. Well production currently is restricted by regulatory rate restrictions, and an application has been submitted to have these restrictions removed. The existing wells will be capable of reaching production of 800 barrels per day in 1994.

Development and step-out drilling was undertaken at non-operated properties Evi (35 percent working interest) and Trout (30 percent working interest). At Evi, 3 successful development wells were drilled, bringing AEC's share of production to an average 1,151 barrels per day. At Trout, AEC participated in 5 successful and 3 unsuccessful development wells. AEC's net share of production averaged 482 barrels per day.

MARKETING

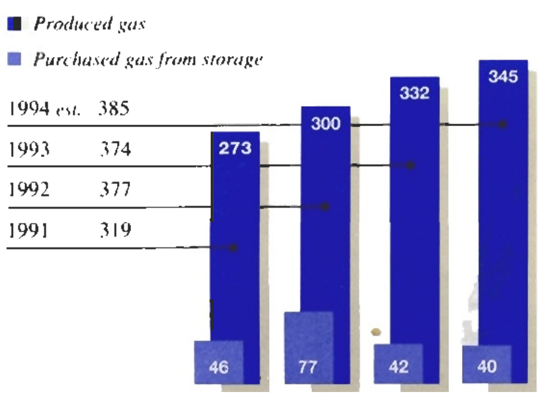
NATURAL GAS HUB AND STORAGE CENTRE

During 1993, the Company continued the rapid expansion of its AECO C HUB™ at Suffield. AEC is continuing with development of this $100 million project to make this Canada's dominant hub. While adding value to AEC's own production through effective use of storage, the hub also generates significant and growing revenue from third-party storage services. AECO C HUB™ also provides other services, including natural gas title exchange, transportation exchange, backstopping, parking, and inventory balancing to gas producers, marketers, aggregators, industrial users and pipelines. In 1993, title exchange volumes for 92 customers averaged 1.3 billion cubic feet per day. During the past year, an innovative AEC-developed electronic nomination and information system, AECO-LINK™, was set up to enhance customer ability to conduct market centre transactions.

The storage facility, cornerstone to the delivery of hub market centre services, was expanded during 1993 to daily injection/withdrawal capacity of 1.1 billion cubic feet and total storage capacity of 53 billion cubic feet. With further expansion to 1.3 billion cubic feet per day in early 1994, 1 billion cubic feet of daily injection/withdrawal capacity will be used to provide firm storage services to customers under long-term contract while AEC will retain an additional 300 million cubic feet of capacity for its own use. AEC also is active in the purchase and resale of gas. These activities use the AEC gas storage capabilities to maximize customer service and AEC profit margins.

Total Gas Sales

(million cubic feet per day)



NATURAL GAS MARKETING

During the past year, AEC's daily natural gas sales were comprised of 332 million cubic feet of produced gas and 42 million cubic feet of purchased gas. These sales were made through the management of a balanced portfolio of Canadian and U.S. contracts designed to provide the maximum return and minimum risk for AEC.

New natural gas deliveries to SoCal Edison in California commenced in November 1993 at a daily rate of 22 million cubic feet per day. A winter contract with Washington Water Power commenced at the same time at a daily rate of 15 million cubic feet per day. The Washington Water Power contract is an example of AEC's effective use of storage to achieve higher prices through the ability to increase deliverability during the winter months when natural gas demand is higher.

AEC is implementing strategies which will result in decreased dependence on large gas marketing aggregators, making gas readily available for AEC-managed sale to either short- or long-term direct markets. Total daily direct sales will increase from 124 million cubic feet in 1993 to 185 million cubic feet in 1994.

During 1993, prices for natural gas rose to $1.76 per million BTU. They are expected to average about $2.00 per million BTU in 1994.

CRUDE OIL MARKETING

During 1993, sales of conventional oil and natural gas liquids averaged 8,923 barrels per day. Prices for crude oil and NGLs dropped to $15.91 per barrel and are expected to be somewhat lower during 1994.

AEC's crude oil and natural gas liquids production is marketed to a diversified customer base in Canada and the U.S. AEC has avoided significant shut-in crude oil production despite the current shortage of pipeline capacity. The Company is working with other producers on concepts for development of additional export markets for Alberta crude oil and new natural gas liquids extraction plants.

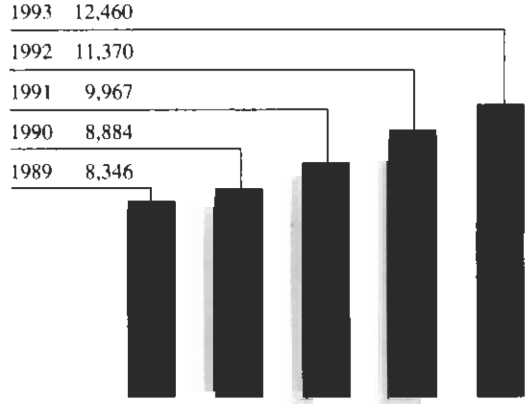
SYNCRUDE

In July, AEC agreed to exchange certain assets for the Amoco Canada Petroleum Company Limited 3.75 percent partnership interest in Syncrude. This increased AEC's share of proven synthetic oil reserves by 70 million barrels and daily synthetic oil production by about 7,000 barrels. AEC's share of Syncrude now is effectively a 13.75 percent working interest, plus an average 6.0 percent overriding royalty on another 6.25 percent of Syncrude revenue.

Despite weakening oil prices, Syncrude continues to be a financially sound investment. Syncrude has demonstrated its resilience and ability to increase production levels while reducing operating costs. Sales of synthetic oil were at record levels for the fourth year in a row. AEC's share of 1993 sales averaged 22,118 barrels per day. Even though higher natural gas prices increased operating costs by $0.33 per barrel, 1993 unit operating costs were only $15.47 per barrel compared with $15.39 in

Syncrude Productivity

(barrels of production per employee)



1992. Over the past five years, unit operating costs have been reduced by 10 percent, and productivity of the Syncrude workforce has increased by 49 percent. AEC's cash break-even operating cost for Syncrude of U.S. $13.00 WTI with a $0.78 Canadian dollar is somewhat lower than for other owners due to the Company's overriding royalty position.

Syncrude's research and development group continues to contribute to profitability. Since 1978 the development of new processes to address various technical opportunities has shown a ten-fold return on expenditures. The most recent innovation is a hydraulic method to pipeline more distant oil sands from the mine to the extraction plant at lower cost than conventional conveyor systems. This process has the additional benefit of pre-conditioning the oil sands during transport, resulting in higher bitumen recovery in the extraction plant. A prototype installed in 1993 is enabling Syncrude to produce an additional 5 million barrels of bitumen per year.

A major project in 1994 will be debottlenecking the upgrader and hydrotreating facility to help reach production targets. Capital will be allocated to relocate tailings and develop a salt water removal technology to mitigate corrosion of plant equipment and facilities. As well, the eastern section of the mine will be expanded to recover an additional 80 million barrels of bitumen over the next two years.

As part of its ongoing environmental commitment, Syncrude is studying alternative methods for site reclamation. During 1993, Syncrude reclaimed 178 acres of land. Syncrude also has introduced a pilot project to assess the potential for bison ranching on reclaimed land.

In December 1993, the Syncrude owners agreed to acquire two additional surface mineable leases, subject to execution of a formal agreement which is expected to occur in the first quarter of 1994. These leases are estimated to contain 2.2 billion barrels of high-quality, low-cost recoverable bitumen resources. When added to the existing 2.1 billion barrels of remaining resources, the plant has feedstock for 54 years of production at the 1993 production rate.

AEC owns a two-thirds interest in the AEC Power 260-megawatt cogeneration facility which supplies steam and electricity to Syncrude. AEC's share of annual earnings and dividends, included in equity earnings, is $4 million.

PAN-ALBERTA COMPANIES

AEC owns one-half of Pan-Alberta Gas Ltd., a natural gas aggregator and marketer which had 1993 sales totalling 554 billion cubic feet. AEC also owns one-half of Pan-Alberta Resources Inc. which has a 50 percent interest in the Empress II natural gas liquids extraction plant, which operates on a cost-of-service basis. As well, Pan-Alberta Resources profits from a share of natural gas liquids extracted from the Pan-Alberta gas stream processed by the Empress and Cochrane plants.

CHIEFTAIN INTERNATIONAL, INC.

AEC owns 22 percent of Chieftain which explores for and produces natural gas and oil, mainly in the Gulf Coast region of the United States. Daily 1993 natural gas sales averaged 48 million cubic feet compared with 1992 sales of 41 million cubic feet. Conventional oil and NGLs sales were 1,830 barrels per day compared with 1,800 barrels per day in 1992. Chieftain also holds gas and oil rights in the British sector of the North Sea and is exploring in Libya and Peru.

PIPELINES

AEC operates three oil pipeline systems in Alberta and has interests in a number of other pipelines. These investments provide a significant, stable source of cash flow and earnings, contributing 20 percent of AEC's operating income and 17 percent of operating cash flow in 1993, not including equity earnings of affiliates. While pipelines currently account for 13 percent of AEC assets, the Company continues to evaluate opportunities for growth through expansion of its existing systems and development or acquisition of new pipelines.

AEC has earned a reputation for providing reliable, cost-effective, safe and efficient pipeline services to its customers. In 1993, AEC Pipelines completed seven years with no lost-time accidents. This equates to 1.2 million man-hours of safe operations. As well as ongoing audits to ensure safe work practices are being followed, the division also completes regular reviews of its procedures to protect and enhance the environment.

CRUDE OIL

Ownership of the Alberta Oil Sands Pipeline (AOSPL) and Cold Lake Heavy Oil Pipeline (CLPL), plus interests in other pipelines, makes AEC the largest transporter of oil within Alberta. The pipelines transport synthetic, heavy and conventional crude oil from northern Alberta to refineries in Edmonton, as well as to other pipeline systems which access North American markets.

AOSPL throughput during the past year averaged 183,500 barrels per day compared with 182,000 barrels in 1992. By the fourth quarter, following relocation of the pipeline at Syncrude and other system modifications, peak pipeline capacity increased to 237,000 barrels per day from 226,000 barrels per day. Daily throughput on the CLPL system averaged 128,000 barrels compared with 118,000 barrels in 1992.

NATURAL GAS

Deliveries from the Iroquois Gas Transmission system, of which AEC owns 6 percent, exceeded expectations, as the northeast United States continues to be one of the fastest growing natural gas markets. A 65 million cubic feet per day expansion of the Iroquois system became operational in November, and an additional 55 million cubic feet per day of capacity is scheduled to be added in November 1994.

AEC owns 50 percent of Pacific Coast Energy Corporation (PCEC) which owns and operates the Vancouver Island natural gas pipeline.

Two members of the team which developed the plans to relocate the AOSPL line at Syncrude were John Labrenz (left) and Burton Pon. One of their challenges was to ensure that the relocated pipeline, to be laid under a busy Syncrude haul road, would withstand as many as two hundred 250-tonne trucks using the road each day.

NEW PIPELINE OPPORTUNITIES

Analyses of crude oil markets indicate that new export market opportunities exist for Alberta producers. Based on this work, AEC filed an application with the National Energy Board (NEB) in October for approval to build a new North American oil pipeline. The proposed Express Pipeline was planned to transport up to 180,000 barrels per day from Hardisty, Alberta, to Casper, Wyoming. The proposed project did not, however, attract sufficient throughput commitment from Alberta producers for AEC to proceed, and the NEB application was withdrawn.

Pipeline Rate Base Summary
($ millions)

	AEC Interest	Rate Base 1993	Rate Base 1992	Operating Income 1993	Operating Income 1992
AOSPL	100%	**69**	57	**5**	9
CLPL	100%	**205**	205	**34**	37
Other	Various	**6**	7	**1**	2
Total		**280**	269	**40**	48
		Equity Investment 1993	Equity Investment 1992	Equity Earnings 1993	Equity Earnings 1992
Iroquois	6%	**13.2**	14.3	**2.8**	1.1
PCEC	50%	**17.1**	17.1	**–**	1.2
Total		**30.3**	31.4	**2.8**	2.3

In 1993, AEC filed an application with the Alberta Energy Resources Conservation Board for approval to expand the Cold Lake pipeline. The expansion would serve heavy oil producers in the Frog Lake area of northeastern Alberta. The Company currently is confirming the level of customer commitment to this possible expansion.

The supply of water for heavy oil production in the Cold Lake region has been reviewed by a task force appointed by the Alberta Government. AEC is monitoring activity in the area and will be able to respond with a pipeline proposal when the government reaches a decision on the water source.

FOREST PRODUCTS

The objective of the forest products division is to optimize profitability by targeting specific high-value end uses and maintaining a focus on market needs and customer service. AEC's investment in wood products and pulp represents about 6 percent of the Company's assets. In 1993, the contribution from wood products was very strong at 19 percent of operating income and 13 percent of operating cash flow, offset to a degree by equity losses in the pulp partnership. AEC's forest products operations are supported by close to 2 million acres of timberland held under long-term agreements with the Alberta Government. These resources are becoming increasingly more valuable as timberland available worldwide to meet market demand becomes more and more scarce. The Company manages its forestry assets on a sustained yield basis.

WOOD PRODUCTS

Annual sales of **Ranger*** lumber from the Blue Ridge mill decreased 2 percent to 212 million board feet. Lumber prices reached record levels, increasing by about 50 percent as economic recovery strengthened in North America and timber supplies tightened. Upgrading of the lumber mill continued, with a view to increasing lumber recovery, enhancing product quality, and improving operating efficiencies.

Sales of medium density fibreboard (MDF) were 65 million square feet, up 10 percent, while prices increased 22 percent. The Company began successful marketing of mouldings produced from **Ranger*** MDF and believes that this business offers very attractive growth opportunities. Because demand for **Ranger*** MDF exceeds production capacity, debottlenecking of the existing facility is being examined.

PULP

Pulp markets and prices were weak throughout 1993 due to depressed economic conditions, mainly in Europe, and high pulp inventories worldwide. AEC's 75 percent share of Slave Lake Pulp Corporation (SLPC) shipments was 89,259 air dried tonnes compared with 81,572 air dried tonnes in 1992.

The SLPC facility produces high-quality chemi-thermo-mechanical pulp through an environmentally friendly chlorine-free process. It is sold to printing, writing and specialty grade paper producers in Europe, North America and Asia. AEC's partner in this venture is MoDo Canada Inc., a subsidiary of Mo och Domsjö AB of Sweden, one of the world's largest forest products companies. SLPC pulp is sold through the worldwide marketing network of MoDo.

FORESTRY

AEC's forestry resources, held under long-term agreements with the Alberta Government, are comprised of deciduous aspen trees for the Slave Lake Pulp facility and coniferous spruce, pine and fir to support the facilities at Blue Ridge Lumber. Consistent with the Company's policy of managing its forestry assets on a sustained yield basis, during 1993 approximately 4.6 million trees were planted compared with the 2.9 million trees that were harvested.

During 1993, the Alberta forest products industry and the Alberta Government held discussions regarding stumpage rates on coniferous timber used in sawmill operations in response to the government's stated intention to increase the rates. Significantly higher stumpage rates associated with coniferous lumber production in Alberta are anticipated in 1994.

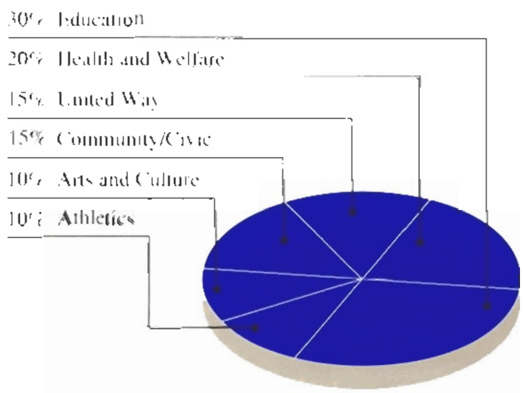
*__Ranger*__ MDF is used to manufacture decorative mouldings for end uses such as baseboards, door jambs, chair rails and decorative window casings. Brian McLeod, Manager MDF Marketing, inspects a moulding during production.*

AEC AND THE COMMUNITY

AEC and its employees are major contributors to the quality of life and success of several communities throughout Alberta. In addition to activities such as creating jobs and supporting suppliers, AEC and its people invest in Alberta and the community at large through their charitable donations and gifts of volunteer time.

A wide spectrum of organizations and projects received corporate contributions during 1993, bringing AEC's total gifts to more than $700,000. Although priority is placed on activities in communities where AEC has operations and a large employee base, the Company also supports a number of provincial and national organizations whose activities benefit the community at large. The Company does not fund any political or religious activities. AEC also has a program through which it matches the contributions its employees make to registered Canadian charities. As well, AEC encourages its employees to participate in volunteer activities to develop their skills as well as to benefit the community.

Corporate Contributions by Category



AEC PEOPLE

AEC's people are an important resource to both the Company and the community. They are committed to increasing productivity in their respective positions, while maintaining or even increasing cost efficiencies. They have extensive skills and expertise which have contributed to past and current AEC successes. AEC employees also are safety conscious and environmentally responsible.

Advances in information technology continue to drive changes in the workplace and create new opportunities for the Company. AEC employees are open to change and have the ability to successfully pursue these opportunities.

The worldwide marketplace is becoming much more complex and competitive. AEC places a high value on specialized technical skills and also recognizes the importance of a workforce with broad skills and abilities in remaining successful in the future. During 1993, the Company initiated AEC LEAD, a process to create a working environment in which employees will be continually learning and applying new skills to benefit both themselves and AEC. The organization will aim to be increasingly entrepreneurial and efficient. Innovation will be further encouraged, results rewarded, and teamwork and openness key ingredients in day-to-day operations.

IMAGINE

For the last five years, AEC has been committed to the Canadian Centre for Philanthropy IMAGINE campaign, which encourages increased corporate and individual support of the community. IMAGINE companies like AEC donate at least one percent of their average previous three years' pre-tax profits to charity.

MANAGEMENT DISCUSSION AND ANALYSIS

To Be Read In Conjunction With The
1993 Audited Consolidated Financial Statements

(Comparisons are with 1992 amounts unless otherwise stated)

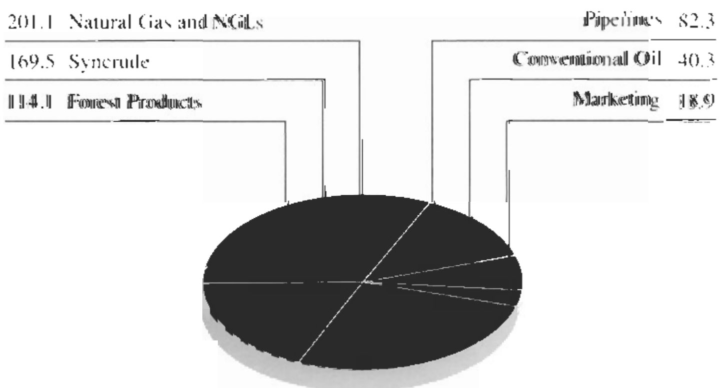
Net earnings and cash flow from operations achieved record levels in 1993, with net earnings increasing 117 percent to $91.6 million and cash flow from operations increasing 19 percent to $267.5 million. Revenues increased 10 percent to $626.2 million, with gains in Oil and Gas and Forest Products more than offsetting the reduction in revenue from the sale of Fertilizer, Coal and Drilling operations. Operating expenses increased 2 percent because the reduction attributable to the sale of Fertilizer, Coal and Drilling was offset by increases in Oil and Gas expenses resulting from volume gains and increased operating activities. Interest expense decreased by $15.0 million reflecting lower debt balances and a lower average interest rate. Depreciation, depletion and amortization was reduced by $4.8 million, primarily a result of the sale of assets. Equity loss increased as the loss from Slave Lake Pulp Partnership was higher. Income taxes increased from $9.2 million to $54.4 million reflecting the higher level of operating income in 1993. Cash flow from operations of $267.5 million was otherwise reduced by cash income taxes which increased to $47.6 million, compared with $3.6 million in 1992, and did not include $16.8 million from assets which subsequently were sold.

Oil and Gas revenues were up $86.9 million reflecting an increase of $46.0 million related to a 28 percent increase in the gas price to $1.76 per million BTU ($1.75 per thousand cubic feet); an increase of $16.0 million reflecting an 11 percent gas volume increase to 332 million cubic feet per day, and a $17.5 million reduction in revenue caused by a 7 percent decrease in oil prices. Syncrude revenues increased $35.3 million as volumes increased by 24 percent to 22,118 barrels per day, a result of record Syncrude production and AEC's acquisition of an additional 3.75 percent interest in Syncrude. Revenues were reduced by $17.6 million associated with increased royalties including $5.1 million for Syncrude. Oil and Gas revenues also included $15.2 million related to the settlement of a gas pricing arbitration and the decontracting of certain gas volumes. Revenue from marketing activities increased by $10.3 million. Other revenues decreased by $0.8 million.

Natural gas unit operating costs averaged $0.24 per thousand cubic feet, a reduction of 4 percent, reflecting AEC's continued efforts to control costs.

1993 Revenues, Net of Royalties

($ millions)



In 1994, oil and gas production is expected to be higher, oil prices are expected to decline, and gas prices are expected to increase. Revenue from marketing activities is expected to increase primarily from the provision of third-party storage services. In addition, AEC's inventory of gas in storage at year-end amounted to 6 billion cubic feet available for future sale.

Pipeline revenues of $82.3 million were reduced by 2 percent over 1992 and are expected to be at the same level for 1994. Pipeline operating expenses included $5.3 million related to the abandoned Express Pipeline initiative.

Forest Products revenues increased by 38 percent to $114.1 million, reflecting a 50 percent increase in lumber prices and 22 percent increase in medium density fibreboard prices, with some minor changes in volumes. Pulp prices were reduced by 23 percent, while pulp sales increased.

In 1994, wood product prices are expected to increase slightly from 1993 levels, while some improvement in pulp prices also is expected. In addition, operating costs will be impacted in the lumber area as a result of increased stumpage fees to be paid to the Alberta Government.

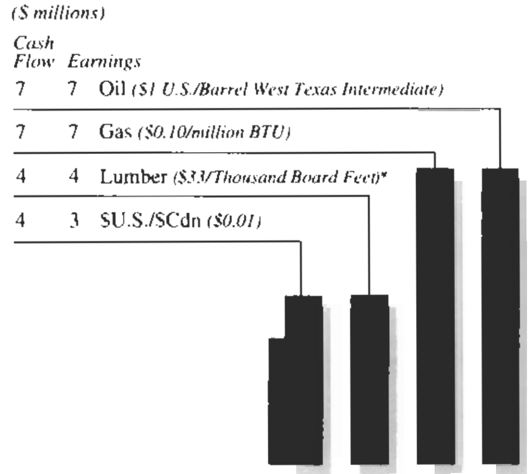
Capital investment increased by 168 percent in 1993 to $275.3 million, mainly in Oil and Gas including investments in exploration, gas storage, and the Caribou Lake gas plant and the acquisition of an additional 3.75 percent interest in Syncrude.

Capital investment for 1994 is expected to approximate the 1993 level and will be funded from cash flow from operations. Investments declined by $27.7 million, primarily reflecting the sale of the fertilizer assets.

Long-term debt declined by $19.6 million as cash generated from operations and asset sales exceeded capital investment and other requirements. The debt-to-cash flow ratio declined to 1.6 times. The debt-to-equity ratio was reduced to 31:69 and is not expected to change materially through 1994. The average term to maturity of long-term debt is 6.0 years and approximately 95 percent of it is unsecured. At year-end, approximately $280 million was available in unused long-term lines. Interest expense for 1994 is expected to increase marginally since the average interest rate will be higher.

Results for 1994 are dependent on product prices and the exchange rate, as noted in the sensitivities graph opposite, and ongoing operating activities.

1994 Sensitivities
Net Earnings and
Cash Flow from Operations



** Represents a 10 percent price change.*

MANAGEMENT REPORT

The accompanying consolidated financial statements and all information in this annual report are the responsibility of Management. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect Management's best judgements. Financial information contained throughout this annual report is consistent with these financial statements.

Management has developed and maintains an extensive system of internal control that provides reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report the Company's operating and financial results and that the Company's assets are safeguarded. The Company's Internal Audit department reviews and evaluates the adequacy of and compliance with the Company's internal controls. As well, it is the policy of the Company to maintain the highest standard of ethics in all its activities.

AEC's Board of Directors has approved the information contained in the financial statements. The Board fulfills its responsibility regarding the financial statements mainly through its Audit Committee.

Price Waterhouse, an independent firm of chartered accountants, was appointed by a vote of shareholders at the Company's last annual meeting to examine the consolidated financial statements and provide an independent professional opinion.

G. Morgan
President and
Chief Executive Officer

J. D. Watson
Vice-President, Finance
and Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALBERTA ENERGY COMPANY LTD.:

We have audited the consolidated balance sheets of Alberta Energy Company Ltd. as at December 31, 1993 and 1992 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company'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 Company as at December 31, 1993 and 1992 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.

Price Waterhouse

Chartered Accountants
Edmonton, Alberta
February 8, 1994

CONSOLIDATED STATEMENT OF EARNINGS

Year Ended December 31
($ millions, except per share amounts)

	Note Reference	1993	1992
Revenues, Net of Royalties		$ 626.2	$ 567.5
Costs and Expenses			
Operating		295.6	290.8
General and administrative		17.9	18.0
Interest, net	2	22.3	37.3
Depreciation, depletion and amortization		137.6	142.4
		473.4	488.5
Non-recurring items	3	–	(29.2)
Earnings Before the Undernoted		152.8	49.8
Equity (loss) earnings		(6.8)	1.6
Income taxes	4	(54.4)	(9.2)
Net Earnings		$ 91.6	$ 42.2
Earnings per Common Share			
Basic		$ 1.23	$ 0.53
Fully diluted		$ 1.21	$ 0.53

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended December 31
($ millions)

	1993	1992
Balance, Beginning of Year	$ 253.4	$ 240.8
Net Earnings	91.6	42.2
	345.0	283.0
Dividends – Preferred Shares	5.8	5.8
– Common Shares	24.3	23.8
	30.1	29.6
Balance, End of Year	$ 314.9	$ 253.4

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at December 31
($ millions)

	Note Reference	1993	1992
ASSETS			
Current Assets			
Cash and short-term investments, at cost which approximates market		$ 80.7	$ 16.6
Accounts receivable and accrued revenue		101.6	75.2
Inventories	5	38.7	31.3
		221.0	123.1
Investments	6	166.5	194.2
Property, Plant and Equipment	7	1,665.1	1,576.9
Deferred Charges and Other Assets	8	37.0	38.7
		$ 2,089.6	$ 1,932.9
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		$ 152.3	$ 99.4
Income taxes payable		39.3	2.6
Current portion of long-term debt	9	2.9	2.9
		194.5	104.9
Long-Term Debt	9	430.0	449.6
Other Liabilities		40.3	32.7
Deferred Income Taxes		445.1	438.6
		1,109.9	1,025.8
Shareholders' Equity			
Share capital	10	662.5	651.8
Retained earnings		314.9	253.4
Foreign currency translation adjustment		2.3	1.9
		979.7	907.1
		$ 2,089.6	$ 1,932.9

Approved by the Board:

D. Mitchell Director R. F. Haskayne Director

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31
($ millions, except per share amounts)

	1993	1992
Operating Activities		
Net earnings	$ 91.6	$ 42.2
Depreciation, depletion and amortization	137.6	142.4
Deferred income taxes	6.8	5.6
Dividends in excess of equity earnings	22.9	10.3
Other	8.6	24.8
Cash Flow from Operations	267.5	225.3
Net change in non-cash working capital	54.6	1.1
	322.1	226.4
Investing Activities		
Purchase of property, plant and equipment	(259.5)	(90.3)
Additions to equity investments	(15.8)	(12.4)
Proceeds on disposal of assets and investments	61.2	53.1
Repayment of advances from affiliates	3.0	6.7
Other	4.0	(1.1)
	(207.1)	(44.0)
Dividends		
Preferred share dividends	(5.8)	(5.8)
Common share dividends	(24.3)	(23.8)
	(30.1)	(29.6)
Increase in Cash before Financing Activities	84.9	152.8
Financing Activities		
Issue of long-term debt	111.9	116.8
Repayment of long-term debt	(143.4)	(275.3)
Issue of common shares	10.7	16.5
	(20.8)	(142.0)
Increase in cash and short-term investments	$ 64.1	$ 10.8
Cash and short-term investments, end of year	$ 80.7	$ 16.6
Cash Flow from Operations per Common Share		
Basic	$ 3.75	$ 3.19
Fully diluted	$ 3.54	$ 3.06

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in $ millions, unless otherwise indicated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Alberta Energy Company Ltd. (the "Company") and its subsidiaries, all of which are wholly owned.

Investments in unincorporated joint ventures are accounted for using the proportionate consolidation method, whereby the Company's proportionate share of revenues, expenses, assets and liabilities are included in the accounts.

Investments in companies and partnerships over which the Company has significant influence or joint control are accounted for using the equity method.

A listing of major subsidiaries, affiliates, unincorporated joint ventures and partnerships is included on the inside back cover.

(B) PROPERTY, PLANT AND EQUIPMENT

Oil and Gas

Conventional

The Company accounts for conventional oil and gas properties in accordance with the Canadian Institute of Chartered Accountants' guideline on full cost accounting in the oil and gas industry.

All costs associated with the acquisition, exploration and development of oil and gas reserves are capitalized in cost centres on a country by country basis. Direct general and administrative costs related to exploration activities are capitalized.

Depletion and depreciation is calculated using the unit-of-production method based on estimated proven reserves, before royalties. For purposes of this calculation, oil is converted to gas on an energy equivalent basis. All capitalized costs are subject to depletion and depreciation including costs related to unproven properties as well as estimated future costs to be incurred in developing proven reserves.

Future removal and site restoration costs are estimated and recorded over approximately 20 years.

A ceiling test is applied to ensure that capitalized costs do not exceed estimated future net revenues less certain costs.

Oil sands

Property, plant and equipment associated with both surface mineable and in situ commercial oil sands projects is accumulated, at cost, in separate cost centres. Substantially all of these costs are amortized using the unit-of-production method based on estimated proven developed reserves applicable to each project. Project expenditures during the exploratory and pilot phases are depreciated using a straight-line method over terms up to five years.

Gas storage facilities

Property, plant and equipment is recorded at cost and depreciated on a straight-line basis over approximately 20 years.

Pipelines

Property, plant and equipment related to pipelines is carried at cost and is depreciated using a straight-line method over the remaining term of each applicable pipeline service agreement.

(tabular amounts in $ millions, unless otherwise indicated)

Forest Products

Property, plant and equipment is depreciated on a straight-line basis over the useful life of the assets, which averages approximately 10 years.

Reforestation costs are expensed as incurred.

Other

Other property, plant and equipment is carried at cost and is depreciated on a straight-line basis over the useful life of the assets.

(C) FOREIGN CURRENCY TRANSLATION

The accounts of self-sustaining foreign subsidiaries are translated using the current rate method, whereby assets and liabilities are translated at year-end exchange rates while revenues and expenses are converted using average annual rates. Translation gains and losses relating to these subsidiaries are deferred and included in shareholders' equity.

Long-term debt payable in U.S. dollars is translated into Canadian dollars at the year-end exchange rate, with any resulting adjustment amortized using a straight-line method over the remaining life of the debt.

(D) PROJECT INVESTIGATION COSTS

Project investigation costs for new business opportunities are charged to earnings as incurred until such time as the commercial viability of the project is established. Subsequent expenditures are capitalized and amortized on a basis appropriate for the project.

(E) INVENTORIES

Inventories are valued at the lower of cost or estimated net realizable value.

(F) INTEREST CAPITALIZATION

Interest is capitalized during the construction phase of large capital projects.

(G) COMPARATIVE FIGURES

Certain 1992 figures have been reclassified for comparative purposes.

2. INTEREST, NET

	1993	1992
Interest expense – long-term debt	$ 21.4	$ 34.4
Foreign exchange expense	5.3	5.7
Interest income	(4.4)	(2.8)
	$ 22.3	$ 37.3

3. NON-RECURRING ITEMS

The 1992 non-recurring items include the pre-tax impact of additional depreciation and amortization related to certain non-strategic assets and the loss on sale of Tri-City Drilling assets less the gain on exchange of convertible debentures and on the sale of Chieftain shares and Coal Valley assets. In addition, the carrying value of the fertilizer assets was reduced to an estimated realizable amount.

4. INCOME TAXES

	1993	1992
Current	$ 45.8	$ 1.5
Deferred	8.8	5.6
Alberta royalty tax credit	(1.8)	(1.8)
Large corporations tax	3.6	3.9
Income taxes	$ 54.4	$ 9.2
The following table reconciles income taxes calculated at statutory rates with actual income taxes:		
Earnings before income taxes	$ 146.0	$ 51.4
Income taxes at statutory rate of 44.3%	$ 64.7	$ 22.8
Effect on taxes resulting from:		
Non-deductibility of:		
Crown royalties and lease rentals	15.9	10.9
Depreciation, depletion and amortization	6.0	5.1
Equity earnings	(5.0)	(5.2)
Federal resource allowance	(23.0)	(16.1)
Utilization of capital losses	(1.0)	(9.4)
Utilization of U.S. tax losses	(3.2)	(1.6)
Alberta royalty tax credit	(1.8)	(1.8)
Large corporations tax	3.6	3.9
Other, net	(1.8)	0.6
Income taxes (Effective rate: 1993 – 37.3%; 1992 – 17.9%)	$ 54.4	$ 9.2

The Company's U.S. subsidiaries have approximately U.S. $9.2 million of tax losses available which can be applied, with certain restrictions, against future taxable income earned in the U.S. The benefit of these tax losses, which will expire between 2001 and 2003, has not been recorded.

5. INVENTORIES

	1993			1992
	Oil and Gas	Forest Products	Total	
Parts and supplies	$ 12.1	$ 4.1	$ 16.2	$ 14.9
Raw materials	0.2	8.8	9.0	8.6
Finished goods	–	3.2	3.2	4.4
Gas in storage	10.3	–	10.3	3.4
	$ 22.6	$ 16.1	$ 38.7	$ 31.3

(tabular amounts in $ millions, unless otherwise indicated)

6. INVESTMENTS

	Percent Interest	1993	1992
All of the following investments are accounted for using the equity method.			
Companies:			
AEC Power Ltd. (50% voting)	66.67	$ 30.9	$ 31.4
Chieftain International, Inc.	21.6	39.0	39.2
Pacific Coast Energy Corporation	50	17.1	17.1
Pan-Alberta Gas Ltd. (40% voting)	49.995	10.9	9.5
Pan-Alberta Resources Inc. (40% voting)	49.995	3.7	6.6
Partnerships:			
Cominco Fertilizers Partnership (1992 – 25%)	–	–	18.1
Iroquois Gas Transmission System, L.P.	6	13.2	14.3
Slave Lake Pulp Partnership	75	51.7	58.0
		$ 166.5	$ 194.2

7. PROPERTY, PLANT AND EQUIPMENT

	1993			1992		
	Cost	Accumulated depreciation, depletion and amortization	Net	Cost	Accumulated depreciation, depletion and amortization	Net
Oil and gas	$ 2,312.9	$ 925.6	$ 1,387.3	$ 2,088.7	$ 825.1	$ 1,263.6
Pipelines	370.4	159.8	210.6	359.3	144.8	214.5
Forest products	100.8	56.8	44.0	93.9	52.5	41.4
Other	45.6	22.4	23.2	144.8	87.4	57.4
	$ 2,829.7	$ 1,164.6	$ 1,665.1	$ 2,686.7	$ 1,109.8	$ 1,576.9

8. DEFERRED CHARGES AND OTHER ASSETS

	1993	1992
Unrealized foreign exchange loss, net of amortization	$ 27.7	$ 22.0
Deferred pension assets	8.1	10.4
Investment tax credit	–	5.0
Other	1.2	1.3
	$ 37.0	$ 38.7

9. LONG-TERM DEBT

	1993	1992
Canadian dollar debt:		
Revolving credit and term loan borrowings		
Term loans	$ –	$ 105.0
Notes payable	36.9	58.4
First Mortgage Sinking Fund Bonds		
Series A, $9\frac{5}{8}\%$, due June 1997	8.4	9.8
Series B, $9\frac{3}{4}\%$, due June 1997	10.2	11.6
Mortgage, 11.75%, due September 2000	4.8	4.9
Unsecured debentures, 8.15%, due July 2003	100.0	–
U.S. dollar debt:		
Revolving credit and term loan borrowings		
Notes payable (U.S. $118.3 million, 1992 – U.S. $119.2 million)	156.7	151.5
U.S. swap agreement, due June 1996 (U.S. $87.6 million)	115.9	111.3
	432.9	452.5
Current portion of long-term debt	2.9	2.9
	$ 430.0	$ 449.6

(A) MANDATORY FIVE-YEAR DEBT REPAYMENTS

The minimum annual repayments of long-term debt required over each of the next five years are as follows:

1994	$ 2.9
1995	2.9
1996	118.8
1997	10.5
1998	0.2

(B) REVOLVING CREDIT AND TERM LOAN BORROWINGS

The Company has $375 million of revolving credit and term loan facilities available with three banks of which $181 million was unutilized at year-end. One facility is fully revolving for a 364 day period with provision for extensions at the option of the lender and upon notice from the Company. If not extended, the facility converts to a non-revolving reducing loan for a term of 6.5 years. The other two facilities also are fully revolving, one for a 2 year period and the other for a 2.5 year period, with provisions for yearly extensions at the option of the lenders following notice from the Company. If not extended, the two facilities convert to revolving reducing facilities over seven years.

All three loan facilities are unsecured and are available in Canadian and/or U.S. dollar equivalent amounts and currently bear interest at the lenders' rates for Canadian prime commercial or U.S. base rate loans, or at Bankers' Acceptance rates or LIBOR plus applicable margins.

The Company also has a $75 million unsecured revolving credit facility, none of which was utilized at year-end. This facility is fully revolving until maturity in 1998 and provides for an extension to 1999 and successive anniversaries thereafter, at the option of the lender following notice from the Company. If not extended, the facility is repayable at maturity. The facility may be drawn in U.S. dollars to a maximum of U.S. $25 million. Amounts drawn under this facility bear interest at the higher of prime commercial lending rates or at Bankers' Acceptance rates or LIBOR plus an applicable margin.

Alenco Inc., a subsidiary of the Company, has a U.S. $20 million unsecured revolving credit and term loan facility, none of which was utilized at year-end. This facility is guaranteed by the Company and is fully revolving until 1995 with provision for yearly extensions at the option of the lender following notice from Alenco Inc. If not extended, the facility converts to a revolving reducing facility to be repayable in full by the end of seven years.

Notes payable consist of U.S. and Canadian dollar Commercial Paper, LIBOR notes and Bankers' Acceptances maturing at various dates to November 18, 1994, with a weighted average interest rate of 3.85% (1992 – 5.59%). Notes payable shown as long-term debt represent amounts which are not expected to require the use of working capital during the year and are fully supported by the availability of term loans under the revolving credit facilities.

(C) FIRST MORTGAGE SINKING FUND BONDS

Alberta Oil Sands Pipeline Ltd. ("AOSPL"), a subsidiary of the Company, is obligated to retire $2.8 million of these bonds annually. The bonds are secured by both a fixed and floating charge on AOSPL's assets that relate to the Syncrude project which at December 31, 1993, had a carrying value of $72.8 million. The participants in the Syncrude project, including the Company to the extent of 13.75%, are committed to provide funds for the repayment of these bonds.

AOSPL has initiated the redemption of the bonds effective March 31, 1994. The bonds are expected to be replaced with long-term debt.

(D) UNSECURED DEBENTURES

During the year, the Company issued $100 million in unsecured debentures bearing interest at 8.15% payable semi-annually. The debentures mature on July 31, 2003.

(E) U.S. SWAP AGREEMENT

The Company has entered into a U.S. dollar swap agreement which effectively converted Canadian $100 million unsecured debentures, which bear interest at 10.50%, into U.S. dollar debt of $87.6 million bearing interest at a rate set semi-annually. The average rate for 1993 was 3.68% (1992 – 4.68%).

10. SHARE CAPITAL

Authorized

20,000,000	First Preferred Shares
20,000,000	Second Preferred Shares
20,000,000	Third Preferred Shares
Unlimited	Common Shares
5,000,000	Non-Voting Shares

On December 17, 1993, shareholders of the Company approved the change of authorized Common Shares from 300,000,000 to unlimited.

Issued and Outstanding	1993		1992	
	Number of Shares	Amount	Number of Shares	Amount
Second Preferred Shares, Series 2 7.75% Deferred Convertible Redeemable with a paid up amount of $25 per share	2,999,700	$ 75.0	2,999,700	$ 75.0
Common Shares				
Balance, beginning of year	69,388,861	576.8	68,026,490	560.3
Issued for Cash				
Shareholder Investment Plan	358,783	7.3	1,214,888	14.7
Employee Savings Plan	52,034	1.0	95,533	1.2
Employee Share Option Plan	193,769	2.4	51,950	0.6
Balance, end of year	69,993,447	587.5	69,388,861	576.8
		$ 662.5		$ 651.8

(A) SECOND PREFERRED SHARES, SERIES 2

Subject to certain conditions, the shares are redeemable at the option of the Company at prices varying from $25.50 to $25.00 per share. Dividends relating to these shares are cumulative.

The Series 2 Preferred Shares are convertible, at the option of the holder, into 1.28 Common Shares until May 16, 1995.

(B) EMPLOYEE SHARE OPTION PLAN

The Employee Share Option Plan provides for granting to employees of the Company and its subsidiaries options to purchase Common Shares of the Company. Each option granted under the plan expires after seven years and may be exercised in cumulative annual amounts of 25% on or after each of the first four anniversary dates of the grant.

At December 31, 1993, employee share options, exercisable between 1994 and 2000, were outstanding to purchase 2,265,356 (1992 – 1,315,375) Common Shares at prices ranging from $12.04 to $20.13 per share.

(tabular amounts in $ millions, unless otherwise indicated)

(C) ALBERTA ENERGY COMPANY ACT

The Alberta Energy Company Act was repealed effective October 29, 1993. This Act, among other things, restricted ownership of Common Shares in the Company.

11. SUPPLEMENTARY INFORMATION

(A) UNINCORPORATED JOINT VENTURES

The Company has included in its accounts the following aggregate amounts in respect of major unincorporated joint ventures:

	1993	1992
Assets	$ **351.1**	$ 360.5
Liabilities	**58.8**	34.4
Revenues, net of royalties	**173.7**	208.5
Expenses	**144.0**	162.4

In addition, one of the Company's unincorporated joint ventures has a defined benefit pension plan. At December 31, 1993, the market value of the Company's share of pension fund assets was $51.7 million and the Company's share of accrued pension liability, as estimated by the joint venture's actuaries, was $49.4 million.

(B) PARTNERSHIPS

The Company accounts for partnerships using the equity method. Following are the aggregate amounts of the Company's interest in the partnerships:

	1993	1992
Assets	$ **220.1**	$ 245.6
Liabilities	**155.2**	155.8
Revenues	**33.5**	50.8
Expenses	**52.0**	60.8

(C) CAPITALIZED GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses capitalized to oil and gas properties during the year amounted to $6.7 million (1992 – $6.5 million).

(D) CEILING TEST PRICES

The prices used in the ceiling test evaluation at December 31, 1993, of the Company's conventional reserves were as follows:

Natural gas	$ 2.27 per million BTU
Oil and natural gas liquids	$ 11.67 per barrel

(E) PENSION PLANS

The Company has a defined benefit pension plan which covers substantially all employees. The plan provides pension benefits upon retirement based on length of service and final average earnings.

The cost of pension benefits earned by employees is determined using the projected unit credit method and is expensed as services are rendered. This cost is actuarially determined and reflects management's best estimate of the pension plan's expected investment yields and the expected salary escalations, mortality rates, termination dates and retirement ages of pension plan members. The plan is funded as actuarially determined in accordance with regulatory requirements through contributions to a trust fund.

The cumulative difference between the amounts funded and expensed is reflected as a deferred asset in the consolidated balance sheet.

At December 31, 1993, the market value of pension fund assets was $64.0 million (1992 – $53.2 million) and the accrued pension liability, as estimated by the Company's actuaries, was $43.3 million (1992 – $38.0 million).

(F) RELATED PARTY TRANSACTIONS

During the year, the Company sold approximately $27.7 million (1992 – $38.9 million) of natural gas to affiliates at market prices of which $2.8 million (1992 – $2.3 million) is included in accounts receivable at year-end.

12. SEGMENTED INFORMATION

	Oil and Gas		Pipelines		Forest Products		Corporate and Other		Total	
	1993	1992	**1993**	1992	**1993**	1992	**1993**	1992	**1993**	1992
Revenue, net of royalties	**$ 429.8**	$ 342.9	**$ 82.3**	$ 84.2	**$ 114.1**	$ 82.9	**$ –**	$ 57.5	**$ 626.2**	$ 567.5
Operating costs	**196.0**	159.4	**27.0**	20.2	**72.6**	69.2	**–**	42.0	**295.6**	290.8
Depreciation, depletion and amortization	**115.2**	107.2	**15.0**	16.1	**5.0**	5.6	**–**	10.9	**135.2**	139.8
Operating income	**118.6**	76.3	**40.3**	47.9	**36.5**	8.1	**–**	4.6	**195.4**	136.9
Equity earnings (loss)	**11.5**	10.5	**2.8**	2.3	**(21.1)**	(14.1)	**–**	2.9	**(6.8)**	1.6
Divisional income (loss)	**$ 130.1**	$ 86.8	**$ 43.1**	$ 50.2	**$ 15.4**	$ (6.0)	**$ –**	$ 7.5	**188.6**	138.5
Less:										
Corporate G&A									**17.9**	18.0
Corporate DD&A									**2.4**	2.6
Interest, net									**22.3**	37.3
Non-recurring items									**–**	29.2
Income taxes									**54.4**	9.2
Net earnings									**$ 91.6**	$ 42.2
Identifiable assets	**$1,574.8**	$1,415.8	**$ 253.2**	$ 255.4	**$ 119.9**	$ 120.3	**$ 141.7**	$ 141.4	**$2,089.6**	$1,932.9
Additions to property, plant and equipment and investments	**$ 233.4**	$ 76.3	**$ 12.1**	$ 4.4	**$ 22.4**	$ 11.6	**$ 7.4**	$ 10.4	**$ 275.3**	$ 102.7

SUPPLEMENTAL STATISTICAL INFORMATION

(unaudited)

OPERATING STATISTICS	1993					1992					1991	1990	1989
Sales	**Year**	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1			
Produced Gas *(million cubic feet per day)*	**332**	344	314	312	358	300	324	274	317	286	273	272	272
Conventional Oil *(barrels per day)*	**7,939**	8,182	8,577	8,055	6,918	6,886	7,342	7,172	6,396	6,627	5,419	6,148	6,406
Natural Gas Liquids *(barrels per day)*	**984**	904	909	975	1,152	1,003	839	1,175	1,143	853	1,051	732	–
Synthetic Oil *(barrels per day)*	**22,118**	28,470	26,650	18,803	14,345	17,870	20,274	17,039	16,763	17,386	16,510	15,534	14,804
Lumber *(million board feet)*	**212**	52	57	55	48	217	53	50	58	56	209	196	201
Medium Density Fibreboard *(million square feet)*	**65**	16	17	17	15	59	14	15	15	15	60	59	63
Pulp *(thousand air dried tonnes)*	**89**	22	24	23	20	82	22	20	26	14	29	–	–
Per Unit Results													
Produced Gas *($ per thousand cubic feet)*													
Price	**1.75**	2.09	1.73	1.63	1.54	1.37	1.56	1.41	1.28	1.23	1.35	1.52	1.43
Royalties	**0.24**	0.30	0.22	0.24	0.20	0.15	0.15	0.16	0.14	0.14	0.14	0.17	0.16
Operating Costs	**0.24**	0.27	0.25	0.22	0.22	0.25	0.36	0.23	0.18	0.21	0.23	0.22	0.22
Net Back	**1.27**	1.52	1.26	1.17	1.12	0.97	1.05	1.02	0.96	0.88	0.98	1.13	1.05
Conventional Oil *($ per barrel)*													
Price	**15.93**	14.88	15.08	17.25	16.73	16.88	17.92	18.15	17.30	13.91	15.73	21.87	16.89
Royalties	**2.01**	1.44	1.85	2.28	2.59	2.53	2.83	2.81	2.12	2.30	2.73	3.30	2.36
Operating Costs	**4.06**	5.14	4.01	2.94	4.14	3.60	2.89	4.53	3.50	3.47	5.20	3.84	3.64
Net Back	**9.86**	8.30	9.22	12.03	10.00	10.75	12.20	10.81	11.68	8.14	7.80	14.73	10.89
Natural Gas Liquids *($ per barrel)*													
Price	**15.71**	14.52	16.05	15.45	16.62	14.79	16.22	15.50	12.51	15.50	14.52	16.09	–
Royalties	**4.04**	3.53	4.45	5.88	3.41	4.12	2.92	6.63	2.42	4.13	3.94	1.74	–
Net Back	**11.67**	10.99	11.60	9.57	13.21	10.67	13.30	8.87	10.09	11.37	10.58	14.35	–
Synthetic Oil *($ per barrel)*													
Price, Net of Tariff	**20.97**	19.59	20.81	22.45	22.10	22.79	23.74	23.85	23.38	20.05	22.67	26.85	21.45
Gross Overriding Royalty	**0.86**	0.16	0.70	1.61	1.57	1.37	0.86	1.67	1.63	1.43	1.44	1.72	1.47
Sulphur and Other Revenue	**(0.19)**	(0.29)	(0.15)	(0.19)	(0.06)	(0.04)	(0.18)	–	0.02	0.04	0.17	0.33	0.30
Royalties	**0.64**	(0.18)	0.49	1.54	1.36	–	–	–	–	–	–	–	–
Cash Operating Costs*	**15.20**	13.39	14.23	14.41	21.80	15.39	13.33	15.82	17.45	15.42	16.48	17.53	17.17
Net Back	**5.80**	6.25	6.64	7.92	0.45	8.73	11.09	9.70	7.58	6.10	7.80	11.37	6.05

**Note: Syncrude's average for 1993 was $15.47 per barrel. AEC's lower average reflects the additional 3.75 percent interest from July 1, 1993.*

SUPPLEMENTAL STATISTICAL INFORMATION

(unaudited)

Oil and NGL Production by Area *(barrels per day)*	Estimate 1994	1993	1992	1991	1990	1989
Syncrude	26,150	22,118	17,870	16,510	15,534	14,804
Suffield	3,700	4,186	4,029	3,026	3,411	3,171
East Peace River Arch	3,200	2,279	1,616	1,590	1,622	1,370
West Peace River Arch	1,700	1,582	1,675	1,380	1,154	873
East Central Alberta	650	372	–	–	–	–
Other	600	504	569	474	693	992
Total	36,000	31,041	25,759	22,980	22,414	21,210

Gas Production by Area *(million cubic feet per day)*						
Suffield	171	178	189	200	214	225
West Peace River Arch	65	54	46	35	21	25
East Central Alberta	104	54	29	30	16	13
Other	13	11	14	13	22	9
Total Field Production	353	297	278	278	273	272
Storage (Injection) Withdrawal	(8)	14	22	(5)	(1)	–
Native Gas from Storage	–	21	–	–	–	–
Total Produced Gas Sales	345	332	300	273	272	272

Produced Gas Sales by Contract *(million cubic feet per day)*						
Western Gas Marketing Limited	150	168	178	158	157	162
Pan-Alberta Gas	34	38	44	37	37	38
Canadian Western Natural Gas	24	24	19	19	24	24
Alberta and Southern/Pacific Gas and Electric	11	44	27	12	6	2
Other	126	58	32	47	48	46
Total	345	332	300	273	272	272

AECO C HUB™ Market Centre Activity *(million cubic feet per day)*						
Purchased Gas Sales Through Storage	40	42	77	46	6	13
Gas Purchased For Immediate Resale	55	9	–	–	–	–
Title Exchange	1,000	1,283	189	–	–	–
Gas Storage Injection/Withdrawal Capacity	1,300	1,060	180	180	120	7

SUPPLEMENTAL STATISTICAL INFORMATION

(unaudited)

Undeveloped Acreage *(thousand acres)*		**1993**	1992	1991	1990	1989
Gross		**2,025**	1,975	2,317	2,772	3,108
Net		**1,260**	1,084	1,286	1,183	1,138
Reserves						
Gas *(billion cubic feet)*						
Before Royalties	– Proven	**1,482**	1,461	1,485	1,398	1,412
	– Probable	**321**	279	254	282	225
	– Total	**1,803**	1,740	1,739	1,680	1,637
Net of Royalties	– Proven	**1,251**	1,278	1,279	1,193	1,266
	– Probable	**257**	230	207	231	195
	– Total	**1,508**	1,508	1,486	1,424	1,461
Conventional Oil and Natural Gas Liquids *(million barrels)*						
Before Royalties	– Proven	**18.8**	16.9	14.2	20.0	15.9
	– Probable	**8.9**	8.4	8.2	6.8	5.2
	– Total	**27.7**	25.3	22.4	26.8	21.1
Net of Royalties	– Proven	**15.8**	14.3	11.3	16.1	13.4
	– Probable	**8.0**	7.2	7.0	5.6	4.3
	– Total	**23.8**	21.5	18.3	21.7	17.7
Syncrude *(million barrels)*		**246**	186	193	199	207
Finding and Development Cost Calculation						
Conventional Oil and Gas Investment *($ millions)*						
Exploration *(gross)*		**53.8**	22.9	45.5	52.0	35.0
Development		**56.8**	25.1	41.5	52.9	26.7
Maintenance		**12.1**	8.7	8.4	18.1	4.6
Minor Acquisitions		**17.6**	11.1	3.2	7.0	7.9
Total Finding and Development Costs		**140.3**	67.8	98.6	130.0	74.2
Gas Storage		**56.8**	–	–	–	–
Major Acquisitions		**–**	–	–	–	76.1
Less Incentives		**–**	–	(0.8)	(1.0)	(2.4)
Net Conventional Oil and Gas Capital Investment		**197.1**	67.8	97.8	129.0	147.9
Proven Reserves Added						
Gas *(billion cubic feet)*						
Exploration Discoveries and Extensions		**73.1**	23.0	63.9	54.6	36.5
Revisions		**1.0**	35.0	113.7	22.8	(76.0)
Acquisitions		**67.9**	39.1	9.5	12.8	11.8
Total		**142.0**	97.1	187.1	90.2	(27.7)
Liquids *(million barrels)*						
Exploration Discoveries and Extensions		**4.9**	2.3	1.0	1.5	1.6
Revisions		**(0.7)**	2.2	(4.6)	5.1	0.9
Acquisitions		**1.0**	1.1	0.1	0.1	0.3
Total		**5.2**	5.6	(3.5)	6.7	2.8
Total Reserve Additions 10:1 *(billion cubic feet of gas equivalent)*		**194.0**	153.0	152.0	157.0	–
Finding and Development Costs *($ per thousand cubic feet equivalent)*	– 10:1	**0.72***	0.44	0.65	0.83	–
	– 6:1	**0.81***	0.52	0.59	1.00	–

* *Note: 1993 development costs were higher due to large investment made in bringing shut-in gas reserves onstream in response to higher prices.*

SUPPLEMENTAL STATISTICAL INFORMATION

(unaudited)

	1993					1992					1991	1990	1989
FINANCIAL STATISTICS	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1			
Net Earnings *($ millions)*	**91.6**	36.2	23.2	21.6	10.6	42.2	4.9	14.0	16.5	6.8	13.8	53.6	37.3
Per Share *($)* – Basic	**1.23**	0.50	0.31	0.29	0.13	0.53	0.05	0.18	0.22	0.08	0.12	0.72	0.52
– Fully diluted	**1.21**	0.48	0.31	0.29	0.13	0.53	0.05	0.18	0.22	0.08	0.12	0.72	0.52
Cash Flow From Operations *($ millions)*	**267.5**	79.6	65.6	64.8	57.5	225.3	51.3	59.8	66.3	47.9	165.8	205.5	187.1
Per Share *($)* – Basic	**3.75**	1.12	0.91	0.91	0.81	3.19	0.72	0.84	0.95	0.68	2.37	3.01	2.99
– Fully diluted	**3.54**	1.04	0.86	0.87	0.77	3.06	0.69	0.81	0.84	0.63	2.23	2.75	2.71
– Fully diluted, adjusted for debenture exchange in 1992						3.06	0.69	0.81	0.90	0.66			
Shares													
Common Shares Outstanding *(millions)*	**70.0**	70.0	69.9	69.9	69.5	69.4	69.4	69.3	69.3	68.1	68.0	66.8	65.8
Average Common Shares Outstanding *(millions)*	**69.7**	69.9	69.9	69.7	69.4	68.8	69.3	69.3	68.7	68.1	67.4	66.3	60.7
Price Range, TSE *($ per share)*													
High	**23.63**	22.88	23.63	22.00	19.38	17.00	17.00	16.38	13.25	12.38	16.88	20.25	22.75
Low	**15.50**	17.88	19.25	18.50	15.50	9.75	14.88	12.63	9.75	9.88	11.50	15.50	15.63
Close	**18.50**	18.50	22.75	21.83	18.75	16.25	16.25	15.63	13.25	10.63	12.50	16.88	19.88
Share Volume Traded *(millions)*	**26.1**	5.2	8.5	8.7	3.7	16.6	2.6	4.1	4.7	5.2	15.8	17.4	17.3
Instalment Receipts													
Price Range, TSE *($ per share)*													
High	**14.50**	14.00	14.50	13.00	–	–	–	–	–	–	–	–	–
Low	**8.88**	8.88	10.50	10.88	–	–	–	–	–	–	–	–	–
Close	**9.38**	9.38	13.75	12.88	–	–	–	–	–	–	–	–	–
Receipt Volume Traded *(millions)*	**29.2**	7.6	12.7	8.9	–	–	–	–	–	–	–	–	–
Ratios													
Debt/Equity	**31:69**					33:67					42:58	42:58	41:59
Debt/Cash Flow	**1.6x**					2.0x					3.8x	3.1x	3.1x
Interest Coverage	**7.3x**					2.5x					1.7x	2.2x	1.9x
Return on Common Equity	**10.0%**					4.5%					1.0%	6.2%	4.8%
Return on Capital	**5.7%**					3.3%					2.1%	4.6%	3.7%

SUPPLEMENTAL STATISTICAL INFORMATION

(unaudited)

SEGMENTED INFORMATION *($ millions)*	Gas and NGLs 1993	1992	Conventional Oil 1993	1992	Syncrude 1993	1992	Marketing and Other 1993	1992	Total Oil and Gas 1993	1992
Revenue	**231.8**	157.6	**46.2**	43.0	**174.6**	157.8	**18.9**	8.6	**471.5**	367.0
Royalties	**30.7**	17.7	**5.9**	6.4	**5.1**	–	–	–	**41.7**	24.1
Net Revenue	**201.1**	139.9	**40.3**	36.6	**169.5**	157.8	**18.9**	8.6	**429.8**	342.9
Operating Costs	**29.4**	26.9	**11.9**	11.6	**126.9**	101.4	**2.4**	0.7	**170.6**	140.6
Operating G&A	**17.6**	14.2	**5.0**	3.8	–	–	**2.8**	0.8	**25.4**	18.8
Operating Cash Flow	**154.1**	98.8	**23.4**	21.2	**42.6**	56.4	**13.7**	7.1	**233.8**	183.5
Depreciation, Depletion and Amortization	**86.4**	79.8	**11.8**	13.1	**13.4**	12.4	**0.9**	0.1	**112.5**	105.4
Future Site Restoration and Other	**1.8**	1.4	**0.3**	0.5	**0.6**	(0.1)	–	–	**2.7**	1.8
Operating Income	**65.9**	17.6	**11.3**	7.6	**28.6**	44.1	**12.8**	7.0	**118.6**	76.3
Equity Earnings	–	–	–	–	–	–	**11.5**	10.5	**11.5**	10.5
Divisional Income	**65.9**	17.6	**11.3**	7.6	**28.6**	44.1	**24.3**	17.5	**130.1**	86.8

	Total Oil and Gas 1993	1992	Pipelines 1993	1992	Forest Products 1993	1992	Corporate and Other 1993	1992	Total 1993	1992
Revenue	**471.5**	367.0	**82.3**	84.2	**114.1**	82.9	–	58.8	**667.9**	592.9
Royalties	**41.7**	24.1	–	–	–	–	–	1.3	**41.7**	25.4
Net Revenue	**429.8**	342.9	**82.3**	84.2	**114.1**	82.9	–	57.5	**626.2**	567.5
Operating Costs	**170.6**	140.6	**18.0**	17.9	**68.0**	64.8	–	41.3	**256.6**	264.6
Operating G&A	**25.4**	18.8	**9.0**	2.3	**4.6**	4.4	–	0.7	**39.0**	26.2
Operating Cash Flow	**233.8**	183.5	**55.3**	64.0	**41.5**	13.7	–	15.5	**330.6**	276.7
Depreciation, Depletion and Amortization	**115.2**	107.2	**15.0**	16.1	**5.0**	5.6	–	10.9	**135.2**	139.8
Operating Income	**118.6**	76.3	**40.3**	47.9	**36.5**	8.1	–	4.6	**195.4**	136.9
Equity Earnings (Loss)	**11.5**	10.5	**2.8**	2.3	**(21.1)**	(14.1)	–	2.9	**(6.8)**	1.6
Divisional Income (Loss)	**130.1**	86.8	**43.1**	50.2	**15.4**	(6.0)	–	7.5	**188.6**	138.5
Less:										
Corporate G&A									**17.9**	18.0
Corporate DD&A									**2.4**	2.6
Interest, Net									**22.3**	37.3
Non-Recurring Items									–	29.2
Income Taxes									**54.4**	9.2
Net Earnings									**91.6**	42.2
Property, Plant and Equipment	**233.1**	75.7	**11.5**	3.0	**7.6**	7.6	**7.4**	4.0	**259.6**	90.3
Investments	**0.3**	0.6	**0.6**	1.4	**14.8**	4.0	–	6.4	**15.7**	12.4
Capital Additions	**233.4**	76.3	**12.1**	4.4	**22.4**	11.6	**7.4**	10.4	**275.3**	102.7
Capital Assets	**1,471.8**	1,350.3	**240.9**	245.9	**95.7**	99.4	**23.2**	75.5	**1,831.6**	1,771.1
Other	**103.0**	65.5	**12.3**	9.5	**24.2**	20.9	**118.5**	65.9	**258.0**	161.8
Identifiable Assets	**1,574.8**	1,415.8	**253.2**	255.4	**119.9**	120.3	**141.7**	141.4	**2,089.6**	1,932.9

SUPPLEMENTAL STATISTICAL INFORMATION

(unaudited)

DIVISIONAL BALANCE SHEET

($ millions)	Oil and Gas		Pipelines		Forest Products		Other		Total	
	1993	1992	**1993**	1992	**1993**	1992	**1993**	1992	**1993**	1992
Assets										
Current Assets	**170.2**	81.0	**23.1**	12.3	**27.7**	20.3	**–**	9.5	**221.0**	123.1
Investments	**84.5**	86.7	**30.3**	31.4	**51.7**	58.0	**–**	18.1	**166.5**	194.2
Property, Plant and Equipment	**1,406.0**	1,278.2	**213.7**	217.1	**45.4**	42.6	**–**	39.0	**1,665.1**	1,576.9
Deferred Charges and Other Assets	**28.5**	28.7	**4.7**	5.2	**3.8**	4.3	**–**	0.5	**37.0**	38.7
	1,689.2	1,474.6	**271.8**	266.0	**128.6**	125.2	**–**	67.1	**2,089.6**	1,932.9
Liabilities										
Current Liabilities	**158.4**	79.3	**15.3**	8.0	**20.8**	14.5	**–**	3.1	**194.5**	104.9
Long-Term Debt	**257.0**	259.9	**156.6**	161.5	**16.4**	17.3	**–**	10.9	**430.0**	449.6
Other Liabilities	**40.3**	32.7	**–**	–	**–**	–	**–**	–	**40.3**	32.7
Deferred Income Taxes	**405.0**	386.0	**31.2**	35.1	**8.9**	8.8	**–**	8.7	**445.1**	438.6
Divisional Net Assets	**828.5**	716.7	**68.7**	61.4	**82.5**	84.6	**–**	44.4	**979.7**	907.1
	1,689.2	1,474.6	**271.8**	266.0	**128.6**	125.2	**–**	67.1	**2,089.6**	1,932.9

Note: Corporate assets have been allocated to the divisions.

CAPITAL INVESTMENT *($ millions)*	**1993**	1992	1991	1990	1989
Oil and Gas	**197.4**	68.4	98.5	129.6	149.5
Syncrude	**36.0**	7.9	15.7	13.9	8.5
Pipelines	**12.1**	4.4	6.2	11.7	13.7
Forest Products	**22.4**	11.6	38.2	45.2	14.9
Other	**7.4**	10.4	8.2	23.8	9.3
Total	**275.3**	102.7	166.8	224.2	195.9

PIPELINES	**1993**	1992	1991	1990	1989
Throughput *(million barrels)*	**183**	175	171	174	167
Rate Base *($ millions)*					
AOSPL	**69**	57	63	69	75
CLPL	**205**	205	203	203	202
Other	**6**	7	8	9	10
Total	**280**	269	274	281	287

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

David E. Mitchell, O.C.
Chairman
Alberta Energy Company Ltd.
Calgary, Alberta

Mathew M. Baldwin
President
Embec Consulting Ltd.
Edmonton, Alberta

Joan M. Donald
Director and Officer
Parkland Industries Ltd.
Red Deer, Alberta

Richard F. Haskayne
Chairman of the Board
NOVA Corporation of Alberta
Calgary, Alberta

Hon. Donald S. Macdonald, P.C.
Counsel
McCarthy Tétrault
Barristers and Solicitors
Toronto, Ontario

John E. Maybin
Corporate Director
Calgary, Alberta

Stanley A. Milner
President & Chief Executive Officer
Chieftain International, Inc.
Edmonton, Alberta

Gwyn Morgan
President & Chief Executive Officer
Alberta Energy Company Ltd.
Calgary, Alberta

Valerie A. A. Nielsen
Oil & Gas Consultant
Calgary, Alberta

J. Harry Tims
President & Chief Executive Officer
McTavish, McKay and Company Limited
(Investment Company)
Calgary, Alberta

H. Richard Whittall
Corporate Director
Vancouver, British Columbia

SENIOR MANAGEMENT

Gwyn Morgan
President & Chief Executive Officer

Hector J. McFadyen
Senior Vice-President

John D. Watson
Vice-President, Finance
and Chief Financial Officer

Roger D. Dunn
Vice-President

R. William Oliver
Vice-President

Drude Rimell
Vice-President, Corporate Services

Derek S. Bwint
Treasurer

Ronald H. Westcott
Comptroller

Wayne G. Holt
General Counsel

Brian C. Ferguson
Corporate Secretary

Kenneth S. Aberle
Director, Taxation

Marcel Preteau
Director, Computer Services

Richard H. Wilson
Director, Public Affairs

PRINCIPAL OFFICERS OF DIVISIONS

AEC OIL AND GAS

Gwyn Morgan
President

Roger D. Dunn
Senior Vice-President

R.William Oliver
Senior Vice-President

Dennis W. Cornelson
Senior Vice-President, Marketing

Allan F. Kiernan
Senior Vice-President, Production

AEC PIPELINES

Hector J. McFadyen
President

John D. Watson
Vice-President, Finance

Robert A. Towler
Senior Vice-President,
Business Development

Bernie J. Bradley
Senior Vice-President

AEC FOREST PRODUCTS

Hector J. McFadyen
President

Richard E. Huff
Senior Vice-President

John D. Watson
Vice-President, Finance

CORPORATE INFORMATION

OFFICES

Executive Office
#3900, 421 - 7 Avenue S.W.
Calgary, Alberta T2P 4K9
(403) 266-8111

Registered Office
#1200, 10707 - 100 Avenue
Edmonton, Alberta T5J 3M1
(403) 423-8333

TRANSFER AGENT AND REGISTRAR

(Common Shares, Instalment Receipts and Second Preferred Shares, Series 2)

The R-M Trust Company
Calgary, Vancouver, Regina, Winnipeg, Toronto, Montreal, Halifax

TRANSFER AGENT, REGISTRAR AND TRUSTEE

(10.50% Debentures and 8.15% Debentures)

The R-M Trust Company
Calgary, Vancouver, Regina, Winnipeg, Toronto, Montreal, Halifax

AUDITORS

Price Waterhouse
Chartered Accountants
Edmonton, Alberta

STOCK EXCHANGE LISTINGS

The Alberta Stock Exchange
The Montreal Exchange
The Toronto Stock Exchange
Vancouver Stock Exchange

MAJOR SUBSIDIARIES, AFFILIATES AND PARTNERSHIPS

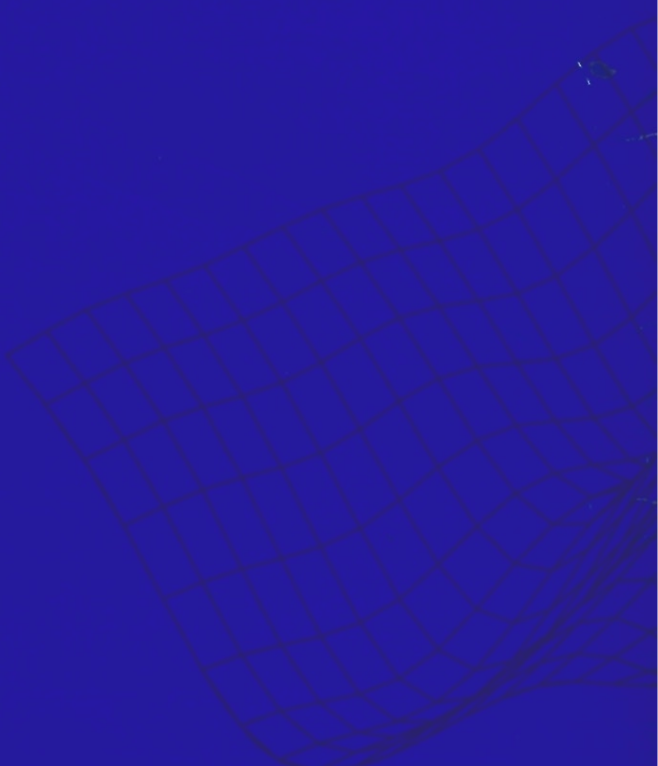
AEC Oil Sands Ltd.		100%
AEC Power Ltd. (50% voting)		66.7%
Alberta Oil Sands Pipeline Ltd.		100%
Alenco Inc.		100%
Alenco Iroquois Pipelines Inc.		100%
Alenco Pipelines Inc.		100%
Alenco Resources Inc.		100%
Blue Ridge Lumber (1981) Ltd.		100%
Chieftain International, Inc.		21.6%
Alberta Energy Company Ltd.	10.8%	
Alenco Inc.	10.8%	
Iroquois Gas Transmission System, L.P.		6%
Pacific Coast Energy Corporation		50%
Pan-Alberta Gas Ltd. (40% voting)		49.9%
Pan-Alberta Resources Inc. (40% voting)		49.9%
Ranger Forest Products Ltd.		100%
Slave Lake Pulp Partnership		75%

MAJOR JOINT VENTURES

Ethane Gathering System		33.3%
Syncrude		13.75%
Alberta Energy Company Ltd.	10%	
AEC Oil Sands Ltd. (75% of HBOG Oil Sands Limited Partnership's 5%)	3.75%	

ANNUAL AND SPECIAL MEETING

The Annual and Special Meeting of Shareholders of Alberta Energy Company Ltd. will be held in the Monaco Room, Capri Convention Centre, 3310 - 50 Avenue, Red Deer, Alberta, at 3:00 p.m. local time on Wednesday, April 13, 1994.



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