2006-07 Long-Term Public Borrowing

The total long-term public borrowing requirement for 2006-07 is estimated at $20.5 billion, down $0.3 billion from the $20.8 billion estimated in the 2006 Budget Plan. The change is mainly due to a decline in the deficit of $0.4 billion and a decline in debt maturities of $0.1 billion, partially offset by an increase in debt redemptions of $0.2 billion. Over 77 per cent of the requirement is to refinance debt maturities of $15.0 billion and early debt redemptions of $0.9 billion.

Consolidated Province and Ontario Electricity Financial Corporation (OEFC)

($ Billions)	Interim 2005-06	2006-07 Budget Plan	2006-07 Current* Outlook	In-Year Change
Deficit/(Surplus)	1.4	2.4	1.9	(0.4)
Adjustments for:				
Non-Cash Items Included in Deficit	3.9	1.1	1.1	—
Amortization of Major Tangible Capital Assets	(2.1)	(2.2)	(2.2)	—
Investment in Capital Assets	2.1	2.5	2.5	—
Debt Maturities	19.8	15.1	15.0	(0.1)
Debt Redemptions	1.1	0.7	0.9	0.2
Canada Pension Plan Borrowing	(1.0)	(0.4)	(0.4)	—
Increase/(Decrease) in Cash and Cash Equivalents	(1.5)	—	—	—
Decrease/(Increase) in Short-Term Borrowing	(1.8)	1.4	1.4	—
Other Uses/(Sources) of Cash	1.9	0.2	0.2	—
Total Long-Term Public Borrowing Requirement	**23.8**	**20.8**	**20.5**	**(0.3)**

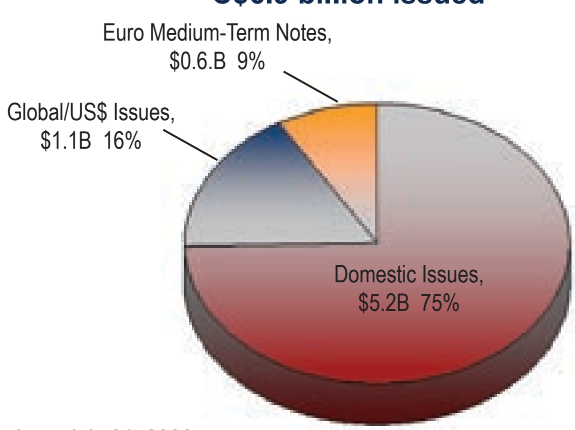
Borrowing Program Status

($ Billions)	Completed	Remaining	Total
Province	4.8	12.2	17.0
OEFC	0.6	2.9	3.5
Total	5.4	15.1	20.5

* First-quarter fiscal forecast as at June 30, 2006. Numbers may not add due to rounding.

Borrowing Approach

Borrowing - All Markets
C$6.9 billion issued



As at July 31, 2006.

Since the end of the quarter, the Province has raised an additional $1.5 billion, for a total of $6.9 billion as at July 31, 2006, leaving $13.6 billion to be completed.

The Province issued one 10-year US$1 billion Global bond, one two-year US$500 million Euro Medium-Term Note, five $500 million domestic syndicated bonds, one $50 million South African rand Euro Medium-Term Note, and a number of domestic medium-term notes. The Province also raised $1.4 billion from the annual Ontario Savings Bond program.

The Canadian domestic market will continue to remain the main funding source in 2006-07. However, the Province will maintain a flexible approach to borrowing, monitoring both domestic and international capital markets to seek out diversified borrowing opportunities that minimize debt servicing costs. Approximately 25 per cent of the long-term borrowing program is targeted for the international markets.

Medium-Term Borrowing Outlook

($ Billions)	2006-07	2007-08	2008-09
Deficit/(Surplus)	1.9	1.5	—
Adjustments for:			
Non-Cash Items Included in Deficit	1.1	1.7	1.5
Amortization of Major Tangible Capital Assets	(2.2)	(2.4)	(2.5)
Investment in Capital Assets	2.5	2.7	2.7
Debt Maturities:			
Currently Outstanding	15.0	13.9	19.3
Incremental Impact of Future Refinancing	—	1.0	—
Debt Redemptions	0.9	0.7	0.7
Canada Pension Plan Borrowing	(0.4)	(0.4)	(0.6)
Increase/(Decrease) in Cash and Cash Equivalents	—	—	1.0
Decrease/(Increase) in Short-Term Borrowing	1.4	0.2	—
Other Uses/(Sources) of Cash	0.2	0.6	0.8
Total Long-Term Public Borrowing Requirement	**20.5**	**19.4**	**22.9**

As at June 30, 2006. Numbers may not add due to rounding.

Debt Management

Province of Ontario Debt Portfolio - As at June 30, 2006

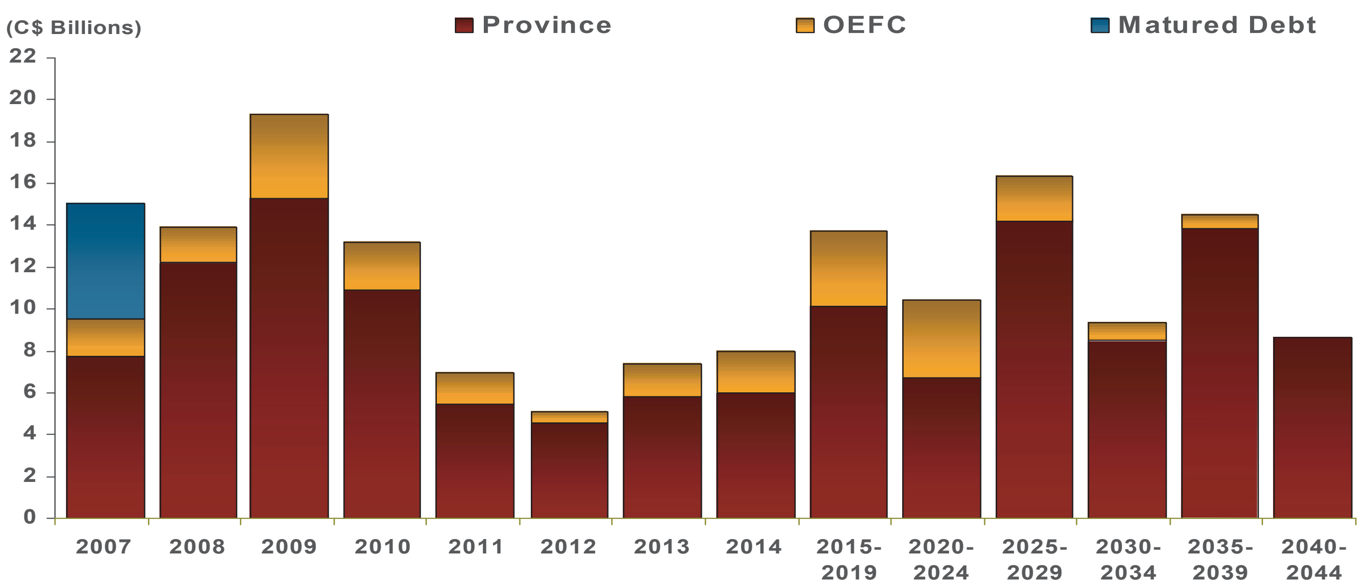
Debt	
Total Debt[1]	$154.6 billion
Net Debt[2]	$146.4 billion
Net Debt/GDP	26.0%
Debt Statistics	
Percentage Publicly Held	84.7%
Percentage Issued in Canadian Dollars	82.3%
Effective Interest Rate (Weighted Average)	6.1%

Risk Exposures (as % of debt)	**Current**	**Policy Limit**
Province		
Interest Rate Reset Exposure	13.7%	25.0%
Foreign Exchange Exposure	0.7%	5.0%
OEFC		
Net Floating Rate Exposure	14.8%	20.0%
Foreign Exchange Exposure	0%	5.0%

[1] Total Debt represents consolidated non-public and publicly held debt.

[2] Net Debt represents the difference between total liabilities and total financial assets.

Debt Maturities



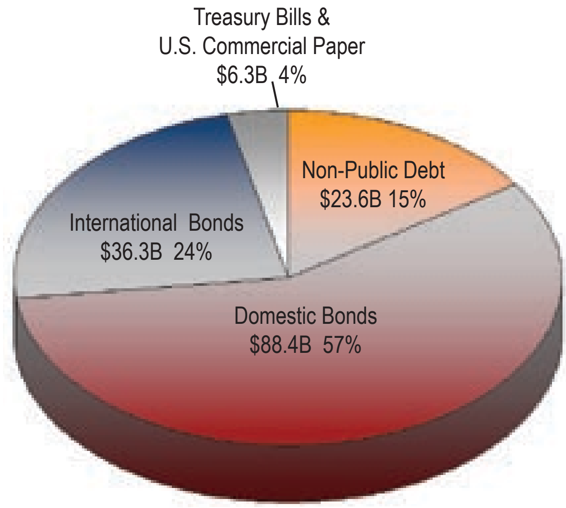
Excludes Province of Ontario and OEFC short-term debt and other liabilities.
Assumes issues with options will be retired at the earliest possible date. Excludes the incremental impact of future refinancing.
Source: Ontario Financing Authority. As at June 30, 2006.

Total Debt Composition

- Total debt of $154.6 billion is composed of bonds and debentures issued in both the short- and long-term public capital markets and non-public debt held by certain federal and provincial public-sector pension plans and government agencies.
- Public debt totals $131.0 billion, primarily consisting of bonds issued in the domestic and international long-term public markets in 10 currencies. Ontario also had $23.6 billion outstanding in non-public debt issued in Canadian dollars.

Debt issued outside of Canada in the following currencies:

- Canadian dollar
- U.S. dollar
- Euro
- Japanese yen
- Sterling
- Swiss franc
- Australian dollar
- New Zealand dollar
- Hong Kong dollar
- South African rand



Source: Ontario Financing Authority. As at June 30, 2006.

Fiscal Summary

($ Billions)	Interim 2005-06	2006-07 Budget Plan	2006-07 Current* Outlook	2006-07 In-Year Change
Revenue	**83.9**	**85.7**	**86.6**	**0.8**
Expense				
Programs	76.2	77.7	78.2	0.6
Interest on Debt	9.1	9.4	9.3	(0.2)
Total Expense	85.3	87.1	87.5	0.4
Surplus/(Deficit) Before Reserve	**(1.4)**	**(1.4)**	**(0.9)**	**0.4**
Reserve	**—**	**1.0**	**1.0**	**—**
Surplus/(Deficit)	**(1.4)**	**(2.4)**	**(1.9)**	**0.4**

* First-quarter fiscal forecast as at June 30, 2006. Numbers may not add due to rounding.

2006-07 Fiscal Outlook

The fiscal outlook for 2006-07 has improved by $401 million from the forecast in the 2006 Budget. The improvement is mainly the result of stronger corporations tax revenues and lower interest on debt expense than projected at the time of the 2006 Budget. The deficit is now forecast at $1.9 billion in 2006-07, $0.9 billion if the reserve is not required by the end of the fiscal year. These improvements to the Province's fiscal position mean that Ontario's debt-to-GDP ratio (where debt is defined as accumulated deficit) continues to decline, from over 25 per cent in 2003-04 to about 20 per cent this year - the lowest it has been in 15 years.

Recent Developments

Teranet Income Fund Initial Public Offering (IPO): On June 16, 2006 the government announced that it would receive proceeds of more than $500 million in relation to the completion of the IPO of Teranet Income Fund. The Province agreed to contribute $54 million of its proceeds towards an overall $116 million investment by Teranet for important service improvements and system enhancements to Ontario's electronic land registration system.

The initial revenue and expense pertaining to the transaction of the Teranet Income Fund IPO has been reflected in the first quarter fiscal outlook for 2006-07. While the final amount of revenue expected from the transaction will ultimately depend on the value of the fund's units when they are sold later this fiscal year, proceeds are currently estimated at $570 million. This amount includes $410 million in cash received from the IPO on June 16, 2006 and an estimated deferred payment of a further $160 million which is based on the June 16th $10 IPO unit price for 16 million income fund units. The cash to be received by the Province in a deferred payment will depend on the market price of income fund units at the time the Province's designees sell their income fund units and pay the Province the deferred payment. As such, the $160 million could increase or decrease.

It is proposed that the Contingency Fund under the Ministry of Finance be increased by $516 million as the government determines priority areas in which to invest the proceeds.

Canada - Ontario Agreement (COA): The 2006 Budget outlined the revenue and expense impacts of the COA that are key elements of the Province's medium-term fiscal plan. The Budget also indicated that Ontario would work with the federal government to finalize the timing of the remaining funding under this Agreement. The Province continues to rely on the federal government's commitment to the COA and continues to work with it to ensure that all elements of the COA are honoured.

2006 Federal Budget Trusts: The May 2006 federal budget proposed federal transfers of $1.1 billion over three years to Ontario. These transfers are to be paid into third party trusts contingent on a federal surplus for 2005-06 being greater than $5.6 billion. The Province will review its revenue outlook with respect to federal transfers when the 2005-06 Public Accounts of Canada are released later this year by the federal government.

Consolidating Hospital, School Boards and Colleges into the Province's Finances: In the 2006 Budget, the government implemented a major change in the way that the finances of the Province are reported to the public. For the first time, the Province's financial reporting included the financial results of three important public-sector partners - hospitals, school boards and colleges of applied arts and technology. These sectors receive most of their funding from the taxpayers of Ontario. The outlooks provided in this quarterly update also reflect this change for fiscal years after 2004-05.

Change in Presentation: Along with including the financial results of hospitals, school boards and colleges in the Province's fiscal outlook, the 2006 Budget presentation of expense changed to provide details on a total expense basis, rather than differentiating between operating and capital expense. This change in presentation is consistent with Public Sector Accounting Board principles, and is also reflected in this quarterly update.

Economic Outlook

Ontario Economic Outlook (Per Cent)

	2004	2005	2006p	2007p	2008p
Real GDP Growth	3.1	2.8	2.3	2.5	2.9
Nominal GDP Growth	5.2	4.1	4.5	4.3	4.7
Unemployment Rate	6.8	6.6	6.3	6.2	6.1
CPI Inflation	1.9	2.2	2.1	1.8	1.8

p = projection. *Sources*: Statistics Canada and Ontario Ministry of Finance.

- Ontario's real GDP grew by 0.4 per cent in the first calendar quarter of 2006. Growth was led by strong residential and business construction investment spending.
- Moderate economic growth is expected in 2006, with real GDP rising by 2.3 per cent, after an increase of 2.8 per cent in 2005.The slower rate of economic growth reflects the appreciation of the Canadian dollar, continuing high oil prices, higher interest rates and an easing in the pace of growth in the U.S. economy. The average private-sector forecast for economic growth is 2.5 per cent in 2006, down slightly from 2.6 per cent at the time of the Budget.
- In June, the unemployment rate was 5.9 per cent, the lowest in five years.
- Over the first five months of 2006, retail sales were 4.8 per cent ahead of the same period in 2005.
- The Ontario annual CPI inflation rate was 2.4 per cent (year-to-year) in June, down from 2.8 per cent in May. In 2005, the Ontario CPI Inflation rate was 2.2 per cent, up from 1.9 per cent in 2004.
- Over the first six months of 2006, housing starts were 4.9 per cent lower than during the same period last year. Over the first five months of this year, home resales were 2.9 per cent higher than during the same period in 2005. The average price for a resale home was 6.9 per cent higher in May compared to a year ago.
- Over the first five months of 2006, manufacturing shipments were 2.8 per cent lower than the same period in 2005.
- So far this year, international exports were up 1.0 per cent from the five months of last year, while imports were up 1.5 per cent.

The Ontario Financing Authority is an agency of the Province of Ontario responsible for provincial borrowing and debt management activities.

Address
Investor Relations
Ontario Financing Authority
One Dundas Street West, Suite 1400
Toronto, Ontario
Canada M7A 1Y7

Telephone and Fax Numbers
Telephone (416) 325-0918
Fax (416) 204-6694

Web Site and E-mail Address
www.ofina.on.ca
investor@ofina.on.ca