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ANNUAL INFORMATION FORM

SUNCOR INC.

20 Eglinton Avenue West
Toronto, Ontario
M4R 1K8

March 26, 1987

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Metric Conversion

Information in this annual information form is set forth in metric units. Numbers of one thousand or more, other than dollar amounts, are expressed without commas (1 000) in accordance with the metric system. The following factors, which have been rounded to two decimal places, may be used to convert information into the units of measurement indicated below:

1 cubic metre (m^3) liquid = 6.29 barrels

1 cubic metre (m^3) gas = 35.49 cubic feet

1 hectare = 2.47 acres

1 tonne = 1.10 short tons

1 kilometre = 0.62 mile

ITEM 1 NAME AND INCORPORATION OF ISSUER

Suncor Inc. is the corporation resulting from the amalgamation under the Canada Business Corporations Act on August 22, 1979 of Sun Oil Company Limited, incorporated in 1923, and Great Canadian Oil Sands Limited, incorporated in 1953. Its registered and principal office is located at 20 Eglinton Avenue West, Toronto, Ontario, M4R 1K8. In the text of this annual information form, references to Suncor or "the Company" include Suncor Inc. and its subsidiaries, unless the context otherwise requires.

ITEM 2 BUSINESS AND PROPERTY

Suncor is engaged in the exploration for and development and production of hydrocarbons and in refining and marketing petroleum and petrochemical products. Suncor operates through three principal groups: the Oil Sands Group, which produces synthetic crude oil from Athabasca oil sands near Fort McMurray, Alberta; the Resources Group, based in Calgary, Alberta, which explores for, develops and produces natural gas and conventional and non-conventional oil; and the Sunoco Group, with headquarters in Toronto, Ontario, which refines and markets petroleum and petrochemical products.

OIL SANDS GROUP

Operations

Activities at Oil Sands Group in 1986 concentrated on increasing plant reliability and reducing high production costs. Capital spending was limited to projects necessary for environmental protection, safety and maintenance or those with a rapid payback, the number of employees was reduced, the overburden removal plan was modified, and increased operational efficiencies were developed. Favourable weather and good ore quality also contributed to satisfactory operations during the year.

The oil sands mining operations are conducted on a 2 456 hectare site covered by two oil sands leases granted by the province of Alberta. The initial term of the larger lease ("Lease 86") expires in 1987 and the other one in the year 2000; both are renewable for further terms of 21 years so long as the plant or other works are in operation. The Company owns the land on which most of the plant facility is located.

Suncor's mine plan, which addresses the maximum recovery of oil sands under the physical, technological, environmental and economic constraints associated with the mining operations, requires approval annually by the Energy Resources Conservation Board of Alberta.

The oil sands are excavated from the open pit mine after removal of overburden. Bitumen is extracted from the sands by a hot water process and is then upgraded by coking, distillation and treatment to remove sulphur and nitrogen. The upgraded distillates are blended into synthetic crude oil, most of which is shipped in the Company's 428 kilometre pipeline to Edmonton for distribution.

The $225 million Plant Integrity Program to upgrade the facilities and improve the reliability of operations, begun in 1982, was completed in 1986. The Company has undertaken an intensive program to increase operational efficiency as well. Both these projects contributed to the record production levels achieved in 1986.

Capital Expenditures

Capital expenditures in the Oil Sands Group for the periods indicated were:

	For the year ended December 31	
	1986	1985
	($ millions)	
Mine and mobile equipment	$ 7	$14
Plant Integrity Program	9	5
Other plant	17	30
Total	$33	$49

Royalties

Royalties under the leases are payable to the Province at a rate which is determined by production volumes each month. A modification was instituted in 1982 which reduced the royalty rate with respect to production attributable to a limited area of the mine. In the period 1983 to 1985 the effective rate averaged approximately 11 per cent of production. In April 1986, to offset the effect of lower world crude prices on Suncor's operation, the rate was reduced to one per cent until the end of 1986. This reduction has since been extended until June 30, 1987. Discussions are taking place with the Province seeking to change the royalty arrangements. Crown royalties expensed under these leases were $16 million for 1986 compared with $58 million for 1985.

Norcen International Ltd. holds a 25 per cent interest in Lease 86 and subleases it to Suncor. The sublease requires payment to Norcen of a basic royalty related to the volume of bitumen extracted from the subleased lands plus 6.25 per cent of the price received for synthetic crude oil production attributable to the lease in excess of $17.30 per m^3. Royalties expensed in 1986 were $23 million compared with $29 million in 1985. The royalty rate will increase by 50 per cent if certain cash flow and other financial tests for the project are met.

Synthetic Crude Oil Reserves

Suncor engaged Coles Nikiforuk Pennell Associates Ltd., independent petroleum consultants ("CNP"), to report on its reserves of synthetic crude oil as of December 31, 1986. CNP's determination of estimated recoverable reserves is based on the synthetic crude oil price of \$129 per m^3 in effect at the end of 1986, budgeted operating costs for 1987 discounted to year-end 1986, forecasts of capital costs, and royalties and taxes in effect at the end of 1986, with the exception that a reduction in Crown royalty for the first six months of 1987 to a flat one per cent was incorporated, all with no escalation into the future. On that basis CNP determined that the gross proven reserves of synthetic crude oil as of December 31, 1986 were 56.1 million m^3 before deduction of Crown and applicable sublease royalties. Net proven reserves, after deduction of all applicable royalties, were 47.8 million m^3. Since the Crown royalty rate is dependent on the rate of synthetic crude oil production, calculations of net reserves vary depending upon assumed production rates. Proven reserves are those considered with a high degree of certainty to be mineable at commercial rates using current and planned future mining methods and are based on the mine plan adopted by Suncor after considering the engineering and economic aspects of future production. Approximately 69 per cent of the proven reserves are on Lease 86.

Production

In 1986, production volumes of synthetic crude oil were the highest in the history of the oil sands plant, representing an increase of 39 per cent over 1985. They were achieved despite a five-month strike/lockout during which staff personnel operated the plant. Average daily production of synthetic crude oil in 1986 was 8 742 m^3.

The following table summarizes Suncor's synthetic crude oil operations for the years indicated.

	1986	1985
Oil Sands mined (millions of tonnes)	39.4	30.0
Overburden removed (millions of m^3)	8.4	15.8
Average bitumen content of oil sands mined (per cent by weight)	12.3	12.0
Partially and fully processed synthetic crude oil (millions of m^3)(1)	3.2	2.3

(1) Before royalties but excluding in plant usage.

Revenues from Synthetic Crude Oil

Under an agreement made at the outset of the oil sands project which has been amended from time to time, Shell Canada Products Limited is entitled to purchase an amount which approximates 25 per cent plus 469 m^3 daily of Suncor's Fort McMurray synthetic crude oil production. The agreement remains in force until December 1992 and is renewable, at Shell's option, for further five-year periods. In 1986, 952 000 m^3 was sold to Shell. The price at which synthetic crude oil is sold to Shell approximates the price received from other customers. The balance of Suncor's synthetic crude oil production is used in connection with its refining operation or sold to others under year-to-year contracts or on a spot basis.

The government of Canada deregulated the price for all Canadian crude oil production, including Suncor's synthetic crude oil, effective June 1, 1985. Prior to that date, based on an agreement between the governments of Canada and the province of Alberta, Suncor received compensation payments from the Canadian government in addition to the administered price it received from its customers with respect to all of its synthetic crude oil production. Removal of the administered pricing system and the compensation payments for synthetic crude oil in 1985 lowered the price received by Suncor for production from the Fort McMurray plant. As the world price for crude oil declined in 1986, the selling price of synthetic crude oil similarly declined.

In 1982, Suncor stopped paying sublease royalty to Norcen on the compensation payments from the federal government and sought to recover the royalty already paid. Neither Suncor nor Norcen appealed from the March 1986 decision of the Alberta Court of Appeal that Norcen was not entitled to royalty on the compensation payments after July 1982 but that Suncor could not recover the approximately $33 million paid before that date.

In 1986 total revenue for Oil Sands Group was $409 million. Information as to synthetic crude oil sales revenues and costs for the last two years is shown below:

	For the year ended December 31	
	1986	1985
	(in dollars)	
Average sales revenue per m^3 of synthetic crude oil (including partially processed)	$126	$238
Average cost per m^3 of synthetic crude oil(1)	$125	$202

(1) Includes all operating costs, royalties and petroleum and gas revenue tax; excludes income and incremental oil revenue taxes, corporate overhead, interest and net employee housing costs.

Employee Accommodation

Suncor assists in providing accommodation in Fort McMurray for its employees and those of its independent contractors. At December 31, 1986, Suncor's net investment in housing and related assets was $54 million. The Company plans to terminate the housing assistance program by the end of 1992 and has commenced to phase it out.

RESOURCES GROUP

Activities in the Resources Group were curtailed in the face of falling oil prices in early 1986. Following an intensive business review, the Group redefined its long range strategy to concentrate on conventional oil and gas and deemphasize heavy oil. Expenditures and activities on the Company's frontier holdings were minimized. Natural gas marketing is a new focus of business opportunity.Staff was reduced by 20 per cent during the year.

Acquisitions, Exploration and Development Costs

Costs incurred in the Resources Group for the periods indicated (whether such costs are capitalized or charged to expense at the time they are incurred) were:

	For the year ended December 31	
	1986	1985
	($ millions)	
Property acquisition costs:		
Proved	$ -	$ 1
Unproved	5	116
Exploration costs (including support equipment)	34	81
Development costs (including support equipment)	37	51
Total	$ 76	$249

Exploration and Development - Western Canada

In the face of budget cuts, almost all exploration in 1986 was conducted in the first quarter of the year and focussed on four areas in northern Alberta. Of 52 gross exploratory wells, 36 were successful for a success rate of 69 per cent. The areas of significant activity were:

Kidney: In this area, located 120 miles west of Fort McMurray, Suncor participated in 15 wells in which it has interests of up to 65 per cent. Thirteen wells were oil discoveries with initial production per well ranging from 5 m^3 to 30 m^3 per day. At least eight exploratory wells, further seismic and land acquisition are planned for 1987.

Zama Lake: In this area, 400 miles northwest of Edmonton, Suncor participated in seven wells with interests that varied from 12 to 50 per cent. Five wells were oil discoveries with initial production per well ranging from 10 m^3 to 35 m^3 per day. All five discoveries are planned to be completed and tied-in to production facilities in the winter of 1987. A sixth well was suspended due to breakup and the seventh well was abandoned. A follow-up exploration program of up to six wells is planned for 1987. Late in the year more land was acquired in the area. Further seismic work is programmed.

Albersun: In this area near Fort McMurray, 10 wells (all of which were exclusively Suncor's) were drilled and six were completed as gas discoveries. One well was completed in September and tied into the Albersun pipeline. A follow-up completion program on suspended wells and a further exploration program are planned with at least two more wells for 1987.

Dizzy Creek: In this area, 100 miles northeast of Zama Lake and within 20 miles of the Northwest Territories, Suncor assembled a land position consisting of interests ranging from 16 to 100 per cent in 9 216 hectares. Three wells were drilled, resulting in two suspended oil wells and one dry hole. A follow-up exploration program of at least two wells and a completion program on the suspended wells are planned as well as further seismic work and land acquisition.

Exploration and Development - Frontier Areas

Suncor carries on its frontier exploration activities directly and through Trillium Exploration Corporation ("Trillium") which was formed in 1982 by Suncor, which has a one-third interest, and Ontario Energy Resources Limited, a subsidiary of Ontario Energy Corporation, with the remaining two-thirds.

Exploration activities prior to 1986 on properties in which Suncor has an interest resulted in gas discoveries in offshore Labrador and oil and gas discoveries in the Arctic Islands and Mackenzie Delta areas. Suncor's current strategy is to preserve the potentially productive parts of its frontier holdings while minimizing expenditures in view of the uncertainty as to when commercial production in frontier areas will be economically feasible. The two main areas of current activity, identified as most likely to be viable, are the Jean d'Arc Basin off the east coast of Newfoundland and the Mackenzie Delta/shallow Beaufort Sea area.

Beaufort Sea/Mackenzie Delta

No drilling activities were carried out in the Beaufort/Mackenzie area in 1986 but a previously drilled well farmed out to Dome, Havik B-41, was tested and yielded oil at a rate of 100 m^3 per day from a tertiary sand. Suncor retains a 25 per cent interest in the potentially productive horizon. Land holdings in the Mackenzie Delta were reduced in 1986 from 91 062 gross (40 978 net) ha. to 47 793 gross (21 507 net) ha. Beaufort Sea lands comprising 599 811 gross (75 147 net) ha. were retained.

East Coast Offshore

Suncor surrendered an interest in 3 947 380 gross (475 222 net) ha. on the Labrador Shelf, and all interest lands (96 563 gross ha., 9 880 net ha.) on the Scotian Shelf.

Arctic Islands

Suncor did not participate in any exploratory activities in the Arctic in 1986 and relinquished its interest in 3 301 816 gross (667 613 net) ha. joint interest lands. It retains an interest in 3 657 715 gross (618 410 net) ha.

Exploration and Development - Trillium

Suncor conducts much of its frontier exploration through Trillium. Trillium was eligible for the maximum incentive grants for frontier exploration under the Petroleum Incentives Program ("PIP") which provided recovery of 80 per cent of approved expenditures. In 1985, PIP was terminated, with existing exploration activities eligible for grants until the end of 1987. Shareholder advances provide the balance of Trillium's financing requirements. Suncor farmed out a substantial portion of its interests in frontier properties to Trillium in 1982.

Trillium participated in a total of 18 wells on lands not owned by Suncor. Nine of those were exploratory wells in the Beaufort Sea, which resulted in three discoveries (Hansen G-07, Arnak K-06 and Minuk I-53) and six abandonments. Seven wells on the Mackenzie Delta yielded six successful delineation wells at Tuk, and an exploratory gas discovery at North Ellice. Two wells drilled on the Grand Banks resulted in a successful delineation oil well at Terra Nova and an abandonment at Kyle.

Drilling

The following table sets forth the gross and net exploratory and development wells which were completed, capped or abandoned in which Suncor participated during the years indicated.

	For the year ended December 31			
	1986		1985	
	Gross	Net	Gross	Net
Western Canada				
Conventional Oil and Gas				
Exploratory Wells				
Oil	23	7	19	9
Gas	13	11	31	25
Dry	16	9	68	46
Total	52	27	118	80
Development Wells				
Oil	203	16	241	42
Gas	7	2	14	6
Dry	10	5	16	6
Total	220	23	271	54
Non-conventional oil				
Observation	-	-	19	19
Oil	3	3	11	6
Dry	-	-	1	1
Total	3	3	31	26
Total Western Canada	275	53	420	160
Frontier (Trillium)				
Dry	18	-	24	1
Total	293	53	444	161

Note: This table comprises all wells for which expenditures were incurred directly or indirectly by Suncor and includes wells in which Suncor participated through its one-third equity interest in Trillium. All wells drilled in the offshore and frontier areas, including those which discovered oil and natural gas, are treated as dry because transportation facilities and, in certain cases, the technology for production from the wells are not available.

Not included are wells completed under farmout agreements on Suncor property (except the Trillium farmout) since Suncor did not incur cash expenditures for them. During 1986 there were 19 such wells (13 exploratory and six development); in 1985 there were

21 such wells (15 exploratory and six development). Of the 1986 farmout wells, two were oil wells, two were gas wells and 15 were dry.

In addition to the above wells, Suncor had interests in 13 gross (seven net) exploratory wells and two gross (one net) development wells in progress at the end of 1986.

Non-Conventional Heavy Oil

Suncor's heavy oil activities were retrenched during 1986 and planned development deferred until economic conditions improve.

Fort Kent

Suncor is the operator and 50 per cent owner of a 1 984 hectare in-situ steam stimulation heavy oil project near Fort Kent in the Cold Lake area of northeastern Alberta. The average number of wells in operation was reduced from 109 to approximately 70 economic wells. Suncor's share of Fort Kent production in 1986 averaged 184 m^3 per day compared to 241 m^3 per day in 1985.

Burnt Lake

Suncor has a 79.1 per cent working interest in the first phase of a 48 section heavy oil in-situ steam recovery project, based on the Fort Kent model, in the oil sands of the Cold Lake area which is planned as a four phase development. Completion of this phase, initiated in 1985, and the development of additional capacity was suspended in 1986 as a result of the deterioration in the price of crude oil.

Coal and Minerals

Suncor has a 7 320 hectare coal property in Pictou County, Nova Scotia on which it has identified multiple seams of underground low sulphur thermal coal. A Canadian mining company has recently commenced an evaluation of the project and its potential markets with a view to acquiring Suncor's interest and developing a mine.

Land Holdings

The following table sets forth the undeveloped and developed lands in which the Resources Group of Suncor held petroleum and natural gas interests at the end of 1986. Undeveloped lands are lands on which no producing well or well capable of production has been drilled and developed lands are lands on which such a well has been drilled.

	Licences, Reservations, Permits and Exploration Agreements(1)		Leases(1)	
	Gross Hectares(2)	Net Hectares(2)	Gross Hectares(2)	Net Hectares(2)
Undeveloped lands				
Western Canada(3)				
Alberta(4)	207,913	128,865	320,916	214,942
Saskatchewan(4)(5)	37,750	28,248	26,780	18,291
British Columbia	39,929	17,395	87,680	34,883
Manitoba	-	-	8,437	5,281
Total	285,592	174,508	443,813	273,397
Frontier (Canada Lands)				
Arctic Islands	3,657,715	618,410	-	-
Offshore Labrador	25,185	2,518	-	-
Beaufort Sea	599,811	75,147	-	-
Mackenzie Delta	47,793	21,507	-	-
Yukon Territory	19,182	14,387	-	-
Total	4,349,686	731,969	-	-
Developed lands				
Western Canada(3)				
Alberta (4)	29,820	18,999	455,472	204,507
British Columbia	9,241	956	68,089	18,777
Saskatchewan(4)	-	-	25,466	19,195
Manitoba	-	-	1,161	842
Total	39,061	19,955	550,188	243,021
Frontier (Canada Lands)				
Mackenzie Delta	7,757	3,361	-	-
N.W. Territories	-	-	5,688	5,688
Total	7,757	3,361	5,688	5,688

Notes:

(1) No deduction has been made from Crown licences, reservations, permits or exploration agreements to reflect that only a portion of these areas may be converted to lease or production licence. Crown licences, reservations and permits are acquired from the provincial governments through competitive bidding and exploration agreements are acquired from the federal government by undertaking work commitments. These confer upon the holder exploration rights and the right to lease or apply for a production licence for the crude oil and natural gas rights under portions of the lands covered. The extent of such rights differs in each jurisdiction and between various areas in a

single jurisdiction. The holder is generally required to make cash payments or undertake specified work in order to retain such rights. Leases in general confer upon the lessee the right to explore for and remove crude oil and natural gas from the property with the lessee paying all the development and operating costs and being entitled to the production subject to rental, tax and royalty.

(2) "Gross hectares" means all hectares in which Suncor has an interest. "Net hectares" means gross hectares after deducting interests of others.

(3) Includes 89 103 gross developed hectares and 5 101 gross undeveloped hectares in western Canada in which Suncor held overriding royalty interests at the end of 1986 and from which Suncor received revenues of about $6 million in 1986.

(4) Includes Lloydminster heavy oil and Fort Kent, Cold Lake, Burnt Lake and Athabasca oil sands leases comprising 122 942 gross (93 301 net) undeveloped hectares and 16 088 gross (3 618 net) developed hectares.

(5) Includes oil shale leases covering 1 943 gross hectares.

Certain of Suncor's interests in undeveloped lands are subject to reduction under farmout agreements whereby others may earn interests in Suncor's lands by undertaking exploration or development work. Conversely, Suncor is a party to farmin agreement agreements whereby it may earn interests in land held by others by undertaking such work.

Reserves

CNP reported on Suncor's reserves of conventional crude oil, natural gas and natural gas liquids at December 31, 1986. The following table sets forth CNP's determination of estimated recoverable reserves based on constant prices and costs as of that time with no escalation into the future.

	Gross		Net	
	Conventional crude oil and natural gas liquids	Natural Gas	Conventional crude oil and natural gas liquids	Natural Gas
	(millions of cubic metres)	(billions of cubic metres)	(millions of cubic metres)	(billions of cubic metres)
Proven				
December 31, 1985	9.5	13.9	7.7	11.5
Revisions	(0.4)	(1.3)	(0.3)	(0.6)
Additions	0.4	0.7	0.3	0.5
Production	(0.8)	(0.6)	(0.6)	(0.5)
Sales	(0.1)	(0.5)	(0.1)	(0.5)
December 31, 1986	8.6	12.2	7.0	10.4
Proven developed - December 31, 1986	8.0	6.7	6.5	5.7
Probable additional - December 31, 1986	3.3	5.8	2.7	4.8

Notes:

(1) Proven reserves are those which geological and engineering data demonstrate to be recoverable with a high degree of certainty, at commercial rates, from known oil and gas reservoirs under existing economic and operating conditions.

Proven developed reserves means those proven reserves which are actually on production or, if not producing, which could be recovered from existing wells or facilities.

Probable additional reserves are those which may be recovered from properties in the vicinity of proven reserves where there is some degree of geological, engineering or operational risk.

(2) Gross reserves represent the aggregate of Suncor's working interest in reserves including the royalty interest of governments and others in such reserves and Suncor's royalty interest in reserves of others. Net reserves are gross reserves less the royalty interest share of others including governments. Royalties can vary depending upon selling prices, production volumes, timing of initial production and changes in legislation. Net reserves have been calculated, following generally accepted guidelines, on the basis of prices and the royalty structure in effect at year end and anticipated production rates. Such estimates by their very nature are inexact and subject to constant revisions.

(3) Approximately 52 per cent of the proven oil reserves are in Alberta, primarily in the Medicine River, Fort Kent, Swan Hills, Mitsue, and Pembina oil fields. A majority of the remainder is located in Saskatchewan, primarily in the Oungre, Dodsland and Steelman oil fields. Approximately 78 per cent of the proven gas reserves are in Alberta, primarily in the Rosevear, Stolberg, Pine Creek, Calling Lake, West Calling Lake, Mountain Park and Thorsby gas fields. Most of the remainder are located in British Columbia, primarily in the Adsett, Blueberry and Bougie Creek gas fields. Suncor's probable additional oil reserves are located primarily in the Oungre, Midale and Dodsland fields in Saskatchewan, the Judy Creek, Medicine River and Youngstown fields in Alberta and the Blueberry field in British Columbia. Suncor's probable additional gas reserves are located primarily in the Mountain Park, Stolberg, West Calling Lake and Pine Creek fields in Alberta. No amounts have been included in the reserves shown above in respect of Suncor's frontier or mineable oil sands properties. Proven reserve calculations include Fort Kent heavy oil but not the Burnt Lake project.

Production

The following table sets out Suncor's gross and net production during the years indicated. Gross production is that attributable to Suncor's working interest share of production before deduction of applicable royalties and interests owned by others. Net production is gross production less such royalties and interests.

	For the year ended December 31			
	1986		1985	
	Gross	Net	Gross	Net
Crude Oil (thousand of m^3)				
Alberta	472	394	504	403
Saskatchewan	225	165	247	172
British Columbia	42	33	44	34
Manitoba	15	12	17	12
Total	754	604	812	621
Natural Gas Liquids, including Condensates (thousands of m^3)				
Alberta	37	27	36	26
British Columbia	1	1	1	1
Total	38	28	37	27
Total Liquids	792	632	849	648
Natural Gas (millions of m^3)				
Alberta	552	458	533	428
British Columbia	36	30	42	40
Saskatchewan	10	9	9	8
Total	598	497	584	476

As of December 31, 1986, Suncor had interests in 6 323 gross (765 net) producing oil wells in 112 oil fields. Of the gross wells, 2 964 were in Alberta, 2 653 in Saskatchewan, 383 in British Columbia and 323 in Manitoba. Suncor had interests in 891 gross (369 net) natural gas wells in 163 gas fields: 801 in Alberta, 65 in British Columbia, 22 in Saskatchewan and 3 in the Northwest Territories at the end of 1986. At the end of the year, 1 016 gross oil wells and 326 gross gas wells were shut-in.

Sales and Sales Revenues

In 1986, total revenue for Resources Group was $140 million including $81 million from oil and natural gas liquids and $48 million from natural gas. The following table shows sale prices and production costs in connection with Suncor's conventional and heavy oil and natural gas operations during the periods indicated:

	For the year ended December 31	
	1986	1985
Average sales price		
Crude oil (per m^3)(1)	$111	$209
Crude oil and natural gas liquids (per m^3)	111	206
Natural gas (per 10^3m^3)	80	92
Average production costs of oil and gas (per equivalent m^3)(1)(2)(3)	48	79

(1) Effective June 1, 1985, Alberta Crown royalties are paid in kind. Accordingly, average sales prices and production costs do not include amounts related to these royalty volumes.

(2) Computed under the relative energy content method whereby a volume of natural gas is equated to an equivalent volume of crude oil.

(3) Production costs include lifting expenses, royalties and petroleum and gas revenue tax, but excludes depreciation and depletion, selling, general and administrative expenses and incremental oil revenue and income taxes.

Suncor's crude oil production is utilized in its refining operations, exchanged for other crude oil with Canadian or U.S. refineries and sold to Canadian and U.S. purchasers. Prior to the implementation of the Western Accord, Alberta producers were required to sell all conventional production from Crown leases to the Alberta Petroleum Marketing Commission ("APMC") which acted as sole marketing agent. Since June 1, 1985 the Crown royalty has been paid in kind to the APMC which now markets the Crown's share of production.

Suncor sells its natural gas production to various gas transmission companies and certain Alberta utilities under long-term contracts and utilizes a portion of it at the oil sands plant. In connection with its natural gas production, Suncor also produces natural gas liquids and sulphur which are sold at the gas processing plants. Suncor estimates that about 69 per cent of its proven gas reserves are subject to sales contracts.

Suncor owns the Albersun pipeline, a natural gas system which connects Suncor's supply fields to its resale customers. Production from Charron, Portage, Calling Lake and Nixon is consumed at the oil sands plant. These properties produced at capacity in 1986.

Because of a significant reduction in demand for natural gas in its resale markets, TransCanada PipeLines Limited ("TCPL") proposed the Topgas agreement to its sellers in 1982 and Suncor was among those which accepted. Topgas waived TCPL's obligation to make prepaid gas advances in any contract year after November 1, 1983 unless it was unable to take at least 60 per cent of the minimum annual obligation for that year. In Topgas II, to which Suncor is also a party, the sellers permitted TCPL a further reduction in its obligation to 50 per cent of the minimum annual obligation. In the contract year ended October 31, 1986, TCPL nominated on average for 47 per cent of minimum annual obligation, a decrease from the previous contract year of five per cent due primarily to a 31 per cent decrease in exports.

The Canadian natural gas industry was deregulated on November 1, 1986. Deregulation involves both the renegotiation of pricing between buyers and sellers of gas and the removal of many barriers which restricted gas producers from dealing with the ultimate consumers in the sale of gas.

With the removal of the regulated Alberta border price, most existing gas sales contracts require the renegotiation of price at the point of sale. Legislation has been enacted to impose this requirement where the contracts themselves do not. The prices that result from free negotiation reflect gas to gas competition as well as the market value of alternate fuels in the consuming markets. Consequently, a net-back pricing scheme has been adopted under the recently amended contracts which Suncor and most of TCPL's producers have agreed to. These producers receive revenues equal to their proportionate share of sales proceeds received on sales by TCPL's marketing arm, Western Gas Marketing Limited, less regulated transportation charges and a marketing fee. The amended gas sales contracts with TCPL also remove any further take-or-pay obligation on the part of TCPL until November 1, 1988.

Gas deregulation provides Suncor with new marketing opportunities for undedicated natural gas reserves. However, impediments to new market access remain unresolved, both in the United States and Canada. While authorities regulating gas transportation systems and local distribution companies have indicated their willingness to facilitate transportation service for direct sales of these undedicated gas reserves, the myriad of associated user priority, demand-charge, load-balancing and tariff issues have not yet been completely resolved. In addition, final decisions by regulatory authorities have not been reached concerning the relaxation of export restrictions on the sales of natural gas, a modification which has the support of both the federal government and the producing provinces.

SUNOCO GROUP

Suncor conducts its refining and marketing of petroleum and petrochemicals through Sunoco Inc. and its subsidiaries ("Sunoco"). In 1986, Sunoco completed a major organizational restructuring, reduced manpower and expenses, successfully developed new market opportunities and continued to dispose of unproductive assets.

Refining

Suncor owns and operates a refinery at Sarnia, Ontario. Average daily crude input in 1986 was 9 360 m^3 compared with 1985 average input of 9 675 m^3 per day. The effective economic crude unit processing capacity was 11 129 m^3 daily as of December 31, 1986. The average utilization rate of the refinery, based upon crude unit processing capacity and input to crude units during 1986, was 84 per cent. The refinery has cracking capacity of 5 883 m^3 daily of which 84 per cent was utilized in 1986.

The refinery, equipped with a hydrocracker unit which commenced operating in 1984, produces transportation fuels, heating oils, heavy fuel oils and petrochemicals. The petrochemical facilities, with a design capacity of 1 180 m^3 daily, produce benzene, toluene and mixed xylenes and recover orthoxylene from mixed xylenes.

In 1986 Suncor concluded a seven-year product exchange agreement with Polysar Limited under which Sunoco supplies light and heavy naphthas and reformer raffinate to a Polysar subsidiary in exchange for products from its manufacturing operations which Sunoco uses for refining and gasoline blending. Sunoco also became the supplier to Polysar's independent gasoline customers.

Suncor's refining operation uses both synthetic and conventional crude oil. Its refined product requirements in the province of Quebec are supplied largely through product exchanges. In 1986, 99 per cent of crude oil requirements were supplied from domestic sources.

Marketing

Suncor markets gasoline and middle distillates primarily in Ontario and Quebec, to retail, commercial, industrial and wholesale customers and commodity petrochemicals in North America and Europe.

Sunoco's retail gasoline business is conducted through a network of 735 stations owned by the Company or its dealers, 691 of which bear the Sunoco brand, and 109 stations which Sunoco manages on behalf of others. Sunoco also manages a chain of 28 V-Plus stations which sell a methanol gasoline product blended by Sunoco. Sunoco Gold, a super premium high octane gasoline, was introduced in 1986 to wide customer acceptance. Divestment of unprofitable sites continued in 1986; 45 sites were sold for proceeds of $15 million and 38 additional sites are expected to be disposed of in 1987. Major cost reductions were achieved by converting 160 company-operated facilities to operation by commission agents. As a result, tactical pricing decisions, now at the dealer level, enable the Sunoco network to respond more effectively to price and market changes. The strategy of increased attention to profit and less to volume is paying off with improved margins.

The Company has facilities in Toronto and Montreal for blending and packaging lubrication oils and specialty products which are sold under its labels as well as packaged for others.

The average daily volumes of refined products sold were as follows:

	For the year ended December 31	
	1986	1985
	(thousands of m^3 per day)	
Transportation fuels	6.6	6.7
Heating fuels	0.9	0.9
Heavy fuel oils	0.6	0.7
Petrochemicals	2.1	1.8
Others	0.1	0.2
Total	10.3	10.3

Transportation and Distribution

Suncor operates storage facilities and bulk distribution plants in Ontario and Quebec and has a 55 per cent interest in a refined product pipeline between Sarnia and Toronto. It employs a variety of transportation modes to deliver products by water, rail and road.

EMPLOYEES

At December 31, 1986, Suncor had approximately 3 500 full-time employees and 700 part-time employees.

GOVERNMENT REGULATION

The oil and gas industry operates in Canada under federal, provincial and municipal legislation and regulations which govern land tenure, royalties, production rates, environmental protection, disposition of production and taxation among other things.

Between 1973 and 1985, the industry operated under federally imposed controls on prices and exports. The National Energy Program, introduced by the federal government in October 1980, extended regulation of these matters and established a broad range of pricing, taxation and other measures. The Western Accord, the March 1985 agreement between the governments of Canada and the major energy producing provinces of Alberta, British Columbia and Saskatchewan, ended the National Energy Policy by introducing deregulation of pricing and marketing and eliminating a number of federal oil and gas taxes, and made provision for a new frontier energy policy.

Frontier Exploration

The Canada Petroleum Resources Act, enacted in October 1986, replaces the Canada Oil and Gas Act which gave the federal government a 25 per cent vested carried interest in lands covered by exploration agreements and reduced other participants' rights proportionately. Incentive payments which reimbursed a portion of qualifying exploration expenses depending on the level of Canadian ownership were eliminated in favour of a 25 per cent exploration tax credit for qualifying frontier exploration expenses without regard to Canadian ownership.

Foreign Ownership

Because of the nature and size of its business, some of Suncor's acquisition activity may require government review under the Investment Canada Act.

Competition

In June 1986, the Restrictive Trade Practices Commission reported on the inquiry into competition in the Canadian petroleum industry which had commenced in 1981. The Commission found no evidence to substantiate allegations of anti-competitive practices by the major integrated petroleum companies in Canada, including Suncor. Many of the Commission's concerns about maintaining competition in a market with a limited number of participants were addressed in the Competition Act enacted in June 1986 as successor to the Combines Investigation Act. The premerger notification provisions in the new Act, expected to be proclaimed in the spring of 1987, will apply to certain of Suncor's transactions.

ITEM 3 SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION[1]

	1986	1985	1984	1983	1982
	($ millions except per share amounts)				
Annual data:					
Sales and other operating revenues	$1,150	$1,466	$1,575	$1,474	$1,543
Total revenues	$1,157	$1,474	$1,584	$1,484	$1,551
Earnings before unusual items	$ 1	$ 34	$ 110	$ 106	$ 68
Earnings (loss) for the year	$ (7)	$ 22	$ 110	$ 106	$ 68
Total assets	$2,107	$2,251	$2,119	$1,935	$1,767
Long-term borrowings	$ 346	$ 415	$ 301	$ 243	$ 161
Redeemable preferred shares	$ 7	$ 9	$ 9	$ 12	$ 12
Earnings before unusual items per common share	$ -	$ 0.62	$ 2.07	$ 1.99	$ 1.27
Earnings (loss) per common share	$(0.15)	$ 0.40	$ 2.07	$ 1.99	$ 1.27
Cash dividends per common share	$ 0.30	$ 0.79	$ 0.79	$ 0.79	$ 0.79

	MAR.31 1986	JUNE 30 1986	SEPT.30 1986	DEC.31 1986	MAR.31 1985	JUNE 30 1985	SEPT.30 1985	DEC.31 1985
	($ millions except per share amounts)							
Quarterly data:								
Sales and other operating revenues	$320	$304	$255	$271	$413	$378	$300	$375
Total revenues	322	306	256	273	415	380	302	377
Earnings (loss) for the period	3	(15)	(1)	6	16	16	(12)	2
Earnings (loss) per common share for the period	$0.06	$(0.29)	$(0.01)	$0.09	$0.29	$0.31	$(0.24)	$0.04

Note:

(1) Previously reported figures have been restated. See Note 1 to the financial statements on page 31 of Suncor's Annual Report.

ITEM 4 ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Management responded quickly to the serious reduction in cash generation resulting from lower crude oil prices. The main objective was to ensure that Suncor did not increase its external borrowings despite the lower cash inflow. Although Suncor's borrowings are well within reasonable debt-equity limits, management determined that borrowings should not rise in 1986 but should be managed down. Strategies employed included reductions in capital and exploration spending, the payment of dividends in stock and reductions in working capital.

In 1986, the Company adopted the successful efforts method of accounting for the oil and gas operations in Resources Group, instead of the full cost method previously employed. Most major Canadian integrated oil companies use the successful efforts method.

Consolidated Earnings

The loss of $7 million for the year ended December 31, 1986 compared to earnings of $22 million for 1985, and $110 million in 1984.

The loss of $7 million for 1986 and the earnings of $22 million in 1985 included charges for unusual items of $8 million and $12 million respectively related to a manpower reduction program. Earnings in 1985 also included other write-downs and provisions of $12 million.

The following summary and segmented analyses are based on 1985 earnings, excluding those charges, of $46 million. The reduction in earnings from 1985 was primarily due to lower crude oil prices.

The reduction in earnings from 1984 to 1985 was primarily due to lower synthetic crude oil sales volumes, the effects of deregulation as reflected in lower synthetic crude oil selling prices and a non-recurring inventory adjustment, and to higher interest expense.

Segmented Earnings

Oil Sands Group

This segment broke even in 1986 compared to earnings of $51 million in 1985 and $101 million in 1984.

The decrease in earnings in 1986 was primarily due to 47 per cent lower average synthetic crude oil selling prices. The impact of lower crude prices was partially offset by record sales volumes which increased 40 per cent to 8.8 thousand cubic metres per day (55.1 thousand barrels). Cost reductions and lower royalty and revenue tax rates also mitigated the effect of lower prices.

The decrease in earnings in 1985 compared to 1984 was primarily due to 16 per cent lower synthetic crude oil sales volumes resulting from a planned maintenance shutdown and several equipment failures, and lower selling prices arising from deregulation. These unfavourable developments were partially offset by reduced expenses.

Resources Group

The loss for this segment was $16 million in 1986, compared to earnings of $12 million in 1985 and $20 million in 1984.

The decrease in earnings in 1986 was primarily due to the impact of lower crude oil and natural gas prices and reduced crude oil volumes, somewhat offset by lower exploration expenses.

The decrease in earnings in 1985 compared to 1984 was primarily due to higher exploration expenses.

Sunoco Group

Earnings from this segment were $27 million in 1986, $14 million in 1985 and $1 million in 1984.

The improvement in earnings in 1986 was primarily due to higher refined product margins and gains on disposal of service station sites.

The improvement in 1985 compared to 1984 was primarily due to the economic benefits of the refinery hydrocracker complex completed in late 1984, and higher transportation fuels margins.

Non-segment Items

Non-segment expenses were $10 million in 1986, $31 million in 1985 and $12 million in 1984.

The decrease in costs in 1986 were primarily due to consolidating adjustments. Through the intersegment profit elimination adjustment, the recognition of upstream crude oil profits is deferred until the refined products produced from the crude oil are sold in the downstream operations. Due to the drop in crude price in 1986, the profits being deferred at December 31, 1986 are much lower than the profits deferred at December 31, 1985 and released into earnings in 1986.

The increase in 1985 over 1984 was due to higher net interest charges arising from a lower proportion of interest being capitalized in connection with major projects, and to a higher intersegment profit elimination arising from deregulation.

Source and Use of Funds

Cash from operations decreased by $16 million or 8 per cent in 1986 primarily reflecting the impact of lower earnings as discussed in the previous sections, partially offset by lower outlays for overburden removal. Proceeds from asset disposals at Resources Group and Sunoco Group provided additional cash.

Cash from operations decreased to $204 million in 1985 from $265 million in 1984, primarily reflecting the impact of lower earnings as discussed in the previous sections.

Capital expenditures were $119 million in 1986 compared to $306 million in 1985 and $272 million in 1984. Early in the year all capital projects were deferred with the exception of investments with extremely rapid paybacks and those for environmental protection, safety and maintenance. As a result, capital expenditures in 1986 were $187 million lower than in the previous year. At Resources Group heavy oil development at Burnt Lake, Alberta was deferred. The increase in 1985 compared to 1984 was primarily due to the purchase of oil sands rights at Burnt Lake, Alberta.

The Company halved the quarterly common dividend in the second quarter to $0.10 a share and paid the third and fourth quarter dividend in common stock rather than cash.

In accordance with the objective, the net cash of $84 million made available in 1986 was mostly applied to reduce existing variable rate borrowings.

Internal cash generated in 1987 is expected to be sufficient for working capital and planned capital expenditure needs as well as required debt service and preferred share dividend payments. Additional funds are available under the $400 million revolving credit and term loan agreement described in Note 13 to the financial statements.

ITEM 5 MARKET FOR THE SECURITIES OF THE ISSUER

The authorized share capital of Suncor consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value issuable in series, the first being Preferred Shares Series A originally 1 107 145 in number. Redemptions to December 31, 1986 have reduced the authorized number of Preferred Shares Series A to 534 310. Reference is made to the three paragraphs under the heading "Voting Shares and Principal Holders Thereof" on pages 1 and 2 of the Management Proxy Circular dated March 26, 1987, which information is incorporated by reference.

The common shares are not listed on any stock exchange in Canada or elsewhere but are part of the over-the-counter automated trading system introduced in Ontario in 1986. The Preferred Shares

Series A are listed on the Toronto and Alberta stock exchanges. The 12 5/8% Series B Debentures are listed on The Stock Exchange of the United Kingdom and the Republic of Ireland.

ITEM 6 DIVIDENDS

Dividends were paid in 1985 and 1986 as follows:

	Preferred Shares Series A	Common
Quarters 1985 - 1	\$0.48	\$0.20
- 2	0.48	0.20
- 3	0.48	0.20
- 4	0.48	0.20
1986 - 1	0.48	0.20
- 2	0.48	0.10
- 3	0.48	0.10*
- 4	0.48	0.10*

* In the second half of 1986, dividends were paid in fully paid common shares at a rate equivalent to \$0.10 per share, valued for the purpose of the dividend at book value at year end 1985, with fractional shares being paid in cash.

ITEM 7 SUBSIDIARIES OF SUNCOR

The following is a list of the principal subsidiaries of the Company.

NAME	Jurisdiction of Incorporation	Voting Securities of Subsidiaries Owned by the Company
Albersun Pipeline Ltd.	Alberta	100%
Sun-Canadian Pipe Line Company Limited	Ontario	55%
Sunoco Inc.	Ontario	100%

ITEM 8 DIRECTORS AND OFFICERS

Directors

Reference is made to the information on pages 2 and 3 under the heading "Election of Directors" of the Company's Management Proxy Circular dated March 26, 1987, which information is incorporated herein by reference. Except as otherwise indicated in that information and as noted below with respect to Mr. Thomson, all directors have been engaged in their present principal occupations or in other executive capacities with the companies or firms with which they currently hold positions, for more than five years.

Suncor does not have an Executive Committee. It is required to have an Audit Committee, the members of which are:

Harry Booth
Pierre Genest
Ardagh S. Kingsmill
Michael M. Koerner
James E. McCormick
John P. Neafsey

Officers

Name and Municipality of Residence	Office Held
Michael M. Koerner Toronto, Ontario	Chairman of the Board
Thomas H. Thomson Toronto, Ontario	President and Chief Executive Officer
Douglas G. MacKenzie Oakville, Ontario	Executive Vice President, Sunoco Group
Michael A. Supple Fort McMurray, Alberta	Executive Vice President, Oil Sands Group
Robert H. Writz, Jr. Calgary, Alberta	Executive Vice President, Resources Group
Peter C. Harris Toronto, Ontario	Senior Vice President and Chief Financial Officer
Peter T. Spelliscy Toronto, Ontario	Senior Vice President, Human Resources and Administration
Arnold L. Godin Fort McMurray, Alberta	Vice President, Mining and Extraction, Oil Sands Group
Bert A. Lang Fort McMurray, Alberta	Vice President, Upgrading and Utilities, Oil Sands Group
Harry Maguss Calgary, Alberta	Vice President, Production Division, Resources Group
Howard B. Maxwell Ottawa, Ontario	Vice President

Name and Municipality of Residence	Office Held
Michael W. O'Brien Calgary, Alberta	Vice President, Marketing and Business Development, Resources Group
Edward J. Pacholko Fort McMurray, Alberta	Vice President, Technical Resources, Oil Sands Group
Jack R. Pullen Calgary, Alberta	Vice President, Exploration Division, Resources Group
William N. Turner Ottawa, Ontario	Vice President, Government Affairs
D. Wayne Wright Toronto, Ontario	Vice President, Planning and Analysis
Barbara J. Thompson Toronto, Ontario	General Counsel and Secretary
Anthony A. L. Wright Toronto, Ontario	Treasurer and Assistant Secretary
Britton O. Mockridge Calgary, Alberta	Assistant Secretary

With the exception of Mr. Koerner, the principal occupation of each officer is the office held with Suncor. Each such officer has been engaged in his present principal occupation or in other executive or employee capacities with Suncor or its affiliates for the past five years, other than as follows: prior to December, 1984, T.H. Thomson was Senior Vice President of Imperial Oil Limited; prior to May, 1986, D.G. MacKenzie was Senior Vice President - Petro-Canada Products, a division of Petro-Canada Inc. and prior to February, 1983, Assistant General Manager, Imperial Oil Limited - Esso Petroleum; prior to July, 1982, J.R. Pullen was Frontier District Exploration Manager, Dome Petroleum Limited; prior to July, 1984, B.J. Thompson was Senior Solicitor for Shell Canada Limited; prior to February, 1985, B.O. Mockridge was Senior Counsel and Assistant Secretary, Mobil Oil Canada, Ltd.

As of March 26, 1987, none of the directors or officers beneficially owned, directly or indirectly, or exercised control or direction over any shares of Suncor or its subsidiaries.

ITEM 9 ADDITIONAL INFORMATION

Additional information, including remuneration of directors and executive officers, officers' indebtedness, and principal holders of the Company's securities is contained in Suncor's Management Proxy Circular dated March 26, 1987 for the annual meeting of shareholders to be held on April 30, 1987.

Additional financial information is provided on pages 25 to 36 and in the Auditors' Report on page 24 of Suncor's Annual Report to Shareholders for the year ended December 31, 1986.

A copy of these documents may be obtained upon request from the Secretary, Suncor Inc., 20 Eglinton Avenue West, Toronto, Ontario M4R 1K8.

ITEM 10 CERTIFICATE

The foregoing, together with any information incorporated by reference, contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated herein in accordance with the requirements of this annual information form or that is necessary to make a statement contained herein not misleading in light of the circumstances in which it was made.

Dated March 26, 1987

(Signed) T.H. Thomson

Thomas H. Thomson
President and Chief
Executive Officer

(Signed) P.C. Harris

Peter C. Harris
Chief Financial Officer

On behalf of the Board of Directors

(Signed) John P. Neafsey
Director

(Signed) Edward J. McGrath
Director