Suncor Inc.

ANNUAL INFORMATION FORM

SUNCOR INC.

36 York Mills Road
North York, Ontario
M2P 2C5

March 23, 1989

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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

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ITEM 1 NAME AND INCORPORATION OF ISSUER

Suncor Inc. was originally formed by 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. On January 1, 1989 Suncor Inc. amalgamated with 116240 Canada Limited (formerly Trillium Exploration Corporation) under the Canada Business Corporations Act and continued under the name of Suncor Inc. Its registered and principal office is located at 36 York Mills Road, North York, Ontario, M2P 2C5. 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 production of crude oil and natural gas and in refining and marketing of petroleum, natural gas 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 and produces natural gas and conventional and non-conventional oil and markets natural gas; and the Sunoco Group, with headquarters in Toronto, Ontario, which markets crude oil and refines and markets petroleum and petrochemical products.

At December 31, 1988, Suncor had approximately 3 000 full-time employees and 1 100 part-time employees.

OIL SANDS GROUP

Suncor produces synthetic crude oil from mining the Athabasca oil sands at its plant site located near Fort McMurray, Alberta. Suncor pioneered commercial production of synthetic crude oil from oil sands, with initial plant production beginning in 1967. Today, Suncor is one of only two such producers of synthetic crude oil in the world.

Operations

Suncor's oil sands operations involve open pit mining of the sands after removal of overburden with mobile equipment. The oil sands are mined with large bucketwheel excavators and moved to the extraction plant by conveyor systems covering about 14 kilometres. 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.

Suncor's own utilities plant supplies steam and electric power to the oil sands operation. Supplemental electricity is purchased from an Alberta public utility. To improve production reliability a comprehensive program which included main boiler revamps, institution of a rigorous quality assurance program and reconfiguration of the primary electrical systems has been completed; as well, an exhaustive preventative maintenance program and a computerized maintenance information system has been established. The plant is continuing with its participation in the International Safety Rating System (the 5 Star Loss Control Program). As well, a facility risk review was completed to identify the major areas of potential risk, and the associated production impact.

The future direction includes further development in the areas of quality assurance, institution of a predictive maintenance program, loss control and risk management. As well, full institution of the 5 Star Loss Control Program and implementation of the facility risk review findings will promote the goals of safe, efficient and reliable production.

Natural gas is supplied to the plant through a pipeline owned by Suncor which runs from north of Edmonton carrying natural gas produced by Suncor and others.

Operations at the oil sands plant are susceptible to loss of production due to the interdependence of the component systems and because some of them function as a single process train. Winter operations in the extreme cold are especially difficult and can result in reduced production.

On October 11, 1987 a major fire in the extraction facility forced the shutdown of the plant. Partial operations resumed in January, 1988 and full production was restored by late March. Expenditures to clean up, rebuild and make improvements to the extraction plant will total $63 million. The amount of insurance benefits available to partially offset this cost is still being determined, but is expected to exceed $20 million. To reduce the impact of the fire, plant maintenance turnaround activities originally scheduled for 1988 were undertaken in the fourth quarter of 1987.

Oil Sands Group has focussed much attention on reducing cash operating costs and improving productivity. The plant's cash operating costs (which include overburden cash expenditures and a provision for maintenance shut down but exclude royalties, capital expenditures, amortization, corporate overhead, interest and net employee housing) are about $91.00 per cubic metre of synthetic crude oil production, which represents a reduction of 1/3 in cash operating costs as compared to pre 1986 levels.

Furthermore, with additional investment there are opportunities to reduce cash operating costs even further, and to increase production and reliability. The debottlenecking project is a case in point. Despite the recently announced decision to slow the project down, it remains an excellent investment opportunity and Suncor intends to proceed with this project if and when crude prices improve and stabilize. In the future an additional major expansion would require incremental financial capacity. To fund additional investment and to rebalance Suncor's asset base, the Company is exploring opportunities with potential investors who may wish to invest in the Fort McMurray facility and possibly participate in a major expansion.

In addition to substantial operating expenses, continued operation of the oil sands plant requires ongoing capital expenditures. Conveyor systems must be extended as mining activities move further away from the processing facilities, and mobile and other equipment must be replaced as it wears out. Suncor anticipates that sustaining capital expenditures of about $40 million per year will be required over the next five years and thereafter to maintain production levels.

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.

Capital Expenditures

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

	For the year ended December 31	
	1988	1987
	($ millions)	
Mine and mobile equipment	$10	$ 5
Debottlenecking	23	1
Other plant[(1)]	35	29
Total	$68	$35

(1) Includes capital expenditures arising from the fire damage at the plant (1988 - $28 million; 1987 - $19 million).

Leasehold Interests and Royalties

Suncor's oil sands mining operations are conducted on a 2 456 hectare site covered by two oil sands leases granted by the Province of Alberta. Under the leases, the Province is entitled to Crown royalties at rates which it establishes from time to time. Crown royalties expensed under these leases were $9 million for 1988 compared with $3 million for 1987.

Between 1983 and 1985 the Crown royalty rate was 8% and 20% of production in four production bands for an effective royalty rate of approximately 11% of production. Effective April 1, 1986, the rate was reduced to the equivalent of 1% of gross revenues in response to the major decline of world oil crude prices and this prevailed until June 30, 1987. Under a new royalty structure commencing July 1, 1987, the royalty is generally the effective equivalent of the greater of 2% of revenues or 15% of revenues minus allowed operating and capital costs. This structure is to remain until December 31, 1991 when the royalty will become the equivalent of the greater of 5% of revenues or 30% of revenues minus allowed operating and capital costs. The Crown royalty is payable in the form of synthetic crude oil, but the Province may request that Suncor dispose of the Crown share on its behalf. A crown royalty surcharge of up to $24 million which was subject to a number of conditions including one that provided that the price of crude always exceed a certain specified minimum threshold in the period commencing July 1, 1987 and terminating December 31, 1991 will not now be payable as the price of crude fell below the specified minimum threshold in 1988.

Suncor's first lease covers 1 809 hectares. About 65% of Suncor's proved reserves of synthetic crude oil at the end of 1988 were located on the property covered by this lease. Up until February 28, 1989 Norcen International Limited ("Norcen") had a 25% interest in the lease and subleased it to Suncor. There had been a number of disputes arising out of the sublease royalty arrangement and given these disputes and the likelihood of further disputes in the future the parties settled their differences on the basis that all litigation was discontinued and that the existing sublease arrangement was terminated as of February 28, 1989 and replaced by a new gross overriding royalty agreement effective March 1, 1989. The old sublease required payment to Norcen of a royalty of 6.25% of the synthetic crude oil revenues in excess of $17.30 per m^3 plus 15.7 cents per m^3 of bitumen extracted from the leased lands. The old sublease provided for increased royalties in the future when Suncor's accumulated cash flow from the project exceeded certain percentages of its total investment.

The new gross overriding royalty is based on a graduated scale expressed as a percentage of gross revenue from production of the lease. The new royalty provides that no payment is required if the synthetic crude prices are below 100.69 cents/m^3 ($16/bbl Cdn.) and that a payment of 1 1/2% of gross revenue is required if the synthetic crude price ranges from 100.69 to 106.97 cents/m^3 ($16.00 to $16.99/bbl). For every $6.29/$m^3$ increase in the price of crude in the range of $106.98 to $132.14 cents/$m^3$ ($17.00 to $20.99/bbl), the percentage rate of the royalty increases by 1/2 of one percent and for every $6.29/$m^3$ increase in the price of crude in the range of $132.15 to $207.65 cents/$m^3$ ($21.00 to $32.99/bbl), the percentage rate of the royalty increases by 1/4 of one percent until a maximum royalty rate of seven percent is reached. All of the above prices are calculated on a monthly average basis and the above crude break points are adjusted annually by a contractually determined inflation component. Royalties expensed under the sublease were $17 million for 1988 and $22 million for 1987.

Suncor's second lease covers 647 hectares adjacent to the first lease. At the end of 1988, the second lease property contained approximately 35% of Suncor's proved reserves of synthetic crude oil. No royalty other than Crown royalty is payable in respect of the second lease. Under Suncor's present mine plan, the remaining reserves on the second lease will be reached as mining operations on the first lease begin to be completed.

The oil sands leases run for terms of 21 years expiring in the year 2008 in the case of the first lease and the year 2000 in the case of the second lease. Both are renewable so long as the plant or other works are in operation. Suncor owns the surface area of the land on which most of its plant facility is located.

Synthetic Crude Oil Gross Proved Reserves

Suncor engaged Coles, Gilbert Associates ("CGA"), independent petroleum consultants, to report on its reserves of synthetic crude oil as of December 31, 1988. Proved reserves are those considered with a high degree of certainty to be mineable 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.

The estimate incorporates a bitumen grade cutoff of eight percent as well as the pit limit to which, in return for various concessions from the Governments of Alberta and Canada, Suncor Inc. agreed in the 1982 mining plan. Future improvements in the extraction or upgrading process have not been considered. In addition to the mineable bitumen reserves, CGA is recognizing bitumen reserves associated with the tailings pond pump project. On site fuel consumption, currently in the order of 1.5 percent, has not been deducted from the estimate of synthetic crude oil reserves. The estimate of proved reserves was prepared without having regard as to whether or not these volumes or a portion of these volumes could be economically mined. On that basis CGA determined that the gross proved reserves of synthetic crude oil as of December 31, 1988 were 50.2 million m^3 before deduction of Crown and applicable sublease royalties

Production

In 1988, average daily production was 7 848 m^3 which represents a 12% increase over 1987. Overall this production level represents the fourth best production year in the 20 year history of the plant. This performance was accomplished despite the fact that the plant did not resume production until late January, 1988, after a 1987 extraction plant fire. Full production rates resumed in late March. Despite this slow start the last nine months established consistent high production rates and averaged the second best production rate ever in plant history.

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

	1988	1987
Oil Sands mined (millions of tonnes)	38.3	32.7
Overburden removed (millions of m^3)	10.2	11.7
Average bitumen content of oil sands mined (per cent by weight)	11.6	11.9
Partially and fully processed synthetic crude oil (millions of m^3)(1)	2.9	2.5

(1) Before royalties but excluding in plant usage.

The present mining operation is a single project. Suncor anticipates that it will have mined the remaining oil sands containing its proved reserves of synthetic crude oil in approximately 13 years. Potential alternatives exist, including mining another oil sands lease held by Suncor 37 kilometres north of the existing plant site. In January 1989, Suncor secured an option on another lease which could increase gross proved synthetic crude oil reserves by an estimated seven years of equivalent production if it is exercised. A decision will be reached during 1989 as to whether the option will be exercised.

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 approximately 25% 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 1988, 814 600 m^3 were sold to Shell. The price at which synthetic crude oil is sold to Shell approximates the price received from other customers.

A major portion of Suncor's synthetic crude oil production is used in connection with its Sarnia refining operations. During 1988, the refinery processed about 33% of Suncor's synthetic crude oil production. The balance is sold to others under contracts terminable by short notice or on a spot basis.

Total revenue for the Oil Sands Group was $328 million in 1988 compared with $383 million in 1987. Information as to synthetic crude oil sales revenues and costs for the last two years is shown below:

	For the year ended December 31	
	1988	1987
	(in dollars)	
Average sales revenue per m^3 of synthetic crude oil (including partially processed)	$113	$146
Average cost per m^3 of synthetic crude oil(1)	$119	$129

(1) Includes all operating costs and royalties; excludes corporate overhead, interest and net employee housing costs.

Costs of synthetic crude oil production are substantially higher than for conventional crude oil due to the nature of the operations required to produce synthetic crude oil.

Employee Accommodation

Suncor is phasing out its housing program for its employees and those of its independent contractors in Fort McMurray and plans to terminate that program by the end of 1992. At December 31, 1988, Suncor's net investment in housing and related assets was $32 million.

RESOURCES GROUP

Suncor is active in the exploration for and development of petroleum and natural gas reserves in Canada. Suncor's current strategy is to concentrate on conventional crude oil and natural gas activities in western Canada, with increasing emphasis on natural gas activities, to consider further in situ heavy oil development, and to minimize exploration expenditures on frontier holdings. The Resources Group became more cost competitive in 1988 by reducing administrative and lifting costs by 15% on a barrel of oil equivalent basis. This was accomplished in part by a 12% reduction in manpower. Another way Suncor is becoming more cost effective is by restructuring its asset portfolio. To this end, the company offered for sale five property packages representing about 13% of its proven conventional crude oil and natural gas liquids reserves and 12% of proved gas reserves; these properties had low cash flow margins or did not fit strategically or geographically in the Company's long term plans. By December 31, 1988, three of the packages and certain properties in the remaining packages or 64 percent of the reserves for sale had been divested. In addition, Suncor and its 50% partner announced the termination of operations at the Fort Kent heavy oil project.

Acquisition, Exploration and Development Costs

Costs incurred in the Resources Group for the periods indicated were:

	For the year ended December 31 1988	1987
	($ millions)	
Property acquisition costs:		
Proved	$ -	$ 7
Unproved	16	10
Exploration costs (including support equipment)	31	29
Development costs (including support equipment)	57	29
Total	$104	$ 75

Note: These costs include those which were capitalized or charged to expense at the time they were incurred. Included in the 1988 development costs are $20 million spent on the Burnt Lake in-situ heavy oil project (1987 - $0).

Exploration and Development - Western Canada

Suncor's recent activities and longer-term program plans are directed towards developing large natural gas reserves and consolidating the company's position in existing low-cost oil plays. Exploration play development, particularly land acquisition and seismic evaluation have therefore been concentrated in selected areas.

Gas exploration has been concentrated in the contiguous portions of northern Alberta and northeast British Columbia, as well as in south-central Alberta. In both areas target sizes range from 400 to 1 100 thousand 10^3m^3 per well and 1 300 to 7 000 thousand 10^3m^3 per pool.

Low-cost oil exploration efforts were localized in the deeper zones below the Pembina Cardium field and in the lower Cretaceous sands of eastern Alberta.

Concentration on relatively few play trends allows for a greater degree of focus of scientific effort and better coordination with field operations.

During 1988, Suncor participated in the drilling of 60 gross exploratory wells (28 net), not including the frontier wells. Oil and gas was found in 22 gross wells (10 net) for a success rate of 37%. In addition, the Resources Group farmed out 23 prospects with oil and gas being found in eight.

FOCUS AREAS

In 1988 oil and gas drilling activity focused in the following areas:

(i) Gooseberry Lake

A significant oil discovery was made at Gooseberry Lake, near Provost in eastern Alberta. A total of 6.75 sections of mineral rights were purchased in 1988, in which Suncor holds a 50% working interest and is operator. By year-end 1988, a total of 9 exploratory wells and 13 development wells had been drilled on the properties. Several pools had been identified. By year end 22 wells were producing 160 m^3 (1 000 barrels) of crude oil per day (gross). Full exploration and development potential has not yet been determined; and further activity will proceed in 1989.

(ii) Pembina Area

Suncor developed a renewed interest in the deeper zones in the Pembina area in 1988, and drilled 3 gross (1.6 net) wells. An additional well was farmed out. One of the 3 wells exploring for Nisku equivalent oil and gas was successful in this high risk play. Additional exploration activity is planned for this area in 1989.

(iii) West Shekilie, Alberta

Suncor has acquired interests in a relatively large acreage position in the West Shekilie, Anna and Black areas of Northern Alberta in 1988, and drilled an initial exploratory test. The successful gas well has provided the impetus to further explore in the general area, and several wells are planned for the 1989 winter drilling season.

(iv) North East British Columbia

Extension of the West Shekilie play into the Northeastern portions of British Columbia also continued in 1988. Working interest positions have been developed in lands on several prospects at least one of which will be drilled in early 1989.

Development of the Adsett and Trutch areas in 1988 produced 3 dry holes. Additional drilling is in abeyance pending further evaluation of the geological and seismic data from both areas.

OTHER AREAS

In addition to these focus areas, Suncor continued activities in a number of areas, albeit with diminished efforts and reduced working interests:

(i) Hays-Enchant

Following up successes in the area, 7 gross (4.15 net) wells were drilled; 4 at Hays and 3 at Enchant. The program yielded 2 oil discoveries. Limited follow-up drilling is anticipated for 1989.

(ii) Kidney-Senex

Suncor continued with exploration and development of the lands in the Kidney-Senex area 200 Kilometers west of Fort McMurray in 1988. Exploration participated in 10 gross wells (2.3 net). Exploration northwards along the trend saw the drilling of 2 wells (0.73 net).

(iii) Peace River Arch

Land acquisitions in 1987 led to the drilling of several wells around the Peace River Arch in 1988. A total of 10 gross (4.6 net) wells were drilled or participated in at Otter, Utikuma, Gilwood, Iroquois, Shadow, and Belloy, in Alberta, as well as Kiya, Ladyfern, Sam and Monias in British Columbia. In addition 5 wells were farmed out, one of which was a minor discovery. Reserve additions in the whole area were not significant.

(iv) Red Deer and Drumheller

Continuing activity in the general Red Deer and Drumheller areas saw the drilling of 5 gross (1.75 net) well and 5 farmouts. One well discovered a modest amount of oil and 3 others had indications of hydrocarbons but have yet to be completed.

Exploration and Development - Frontier Areas

During 1988, Trillium Exploration Corporation, then one-third owned by Suncor, sold its frontier oil and gas holdings. Suncor recorded a gain on sale of $8 million after tax. Suncor continues to hold interests in frontier properties and to monitor developments in Canada's frontiers and may pursue further developments in the future if and when economic conditions are appropriate.

Development - Infill Drilling

In 1988 Suncor focused its development activities mainly on unit infill drilling. A total of 20 wells were drilled in the Medicine River Unit #2 and Youngstown field in Alberta and in the Oungre Unit in Saskatchewan adding approximately 135 m^3 (850 barrels) per day to Suncor's liquid production. The development of the Liege gas field commenced during the latter part of the year and should be on stream April 1, 1989 with Suncor's share being approximately 375 10^3m^3 (13.5 MMCF) per day.

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			
	1988		1987	
	Gross	Net	Gross	Net
Western Canada				
Conventional Oil and Gas				
Exploratory Wells				
Oil	18	8	20	9
Gas	4	2	3	2
Dry	38	18	17	9
Total	60	28	40	20
Development Wells				
Oil	81	24	80	21
Gas	5	4	7	4
Dry	13	8	8	3
Total	99	36	95	28
Non-conventional Oil (1)				
Burnt Lake	48	38	-	-
Total	48	38	-	-
Total Western Canada	207	102	135	48
Frontier (Trillium)				
Dry	2	-	4	-
Total	209	102	139	48

(1) The Burnt Lake project was suspended at December 31, 1988 and consequently wells are not producing.

Not included are wells completed under farmout agreements on Suncor property since Suncor did not incur cash expenditures for them. During 1988 there were 31 such wells (23 exploratory and 8 development); in 1987 there were 28 such wells (25 exploratory and 3 development). Of the 1988 farmout wells, 6 were oil wells, 3 were gas wells and 22 were dry.

In addition to the above wells, Suncor had interests in six gross (three net) exploratory wells and 2 gross (4 net) development wells in progress at the end of 1988.

Non-Conventional Heavy Oil

Suncor's heavy oil activities were retrenched in 1988 and further development was deferred until economic conditions improve.

Fort Kent

Suncor is 50% owner of a 1 984 hectare in-situ steam stimulation heavy oil project near Bonnyville in the Cold Lake area of Northeastern Alberta. During 1988 the decision was made to terminate operations at the project. There are no plans to resume work there in the future.

Burnt Lake

Suncor has earned a 79.1 working interest in 4 sections of oil sands leases in the Cold Lake area. Work resumed on the development of the in-situ steam recovery project in 1988 but was suspended in response to lower oil prices and continuing uncertainties over future crude prices. Suncor's decision to proceed with the project which would enable it to earn a 79.1 working interest in the remaining 44 sections of the oil sands lease will require confidence in a higher and sustained crude price outlook.

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 1988. 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 Provinces				
British Columbia	39,327	19,279	87,356	39,308
Alberta	170,263	99,379	205,558	117,656
Saskatchewan	24,476	24,476	26,361	15,792
Manitoba	-	-	6,462	3,799
Total	234,066	143,134	325,737	176,555
Frontier (Canada Lands)				
Northwest Territories & Yukon	19,182	14,387	-	-
Mackenzie Delta	-	-	2,715	1,222
Beaufort Sea	279,341	15,470	3,488	872
Arctic Islands	-	-	158,314	22,476
Offshore Labrador	-	-	25,185	2,518
Total	298,523	29,857	189,702	27,088
Developed Lands				
Western Provinces				
British Columbia [3]	2,652	133	60,145	16,105
Alberta	27,672	11,845	381,852	164,627
Saskatchewan [4]	-	-	12,915	10,356
Manitoba [4]	-	-	870	566
Total	30,324	11,978	455,782	191,654
Frontier				
Northwest Territories	-	-	5,688	5,688
Mackenzie Delta	-	-	2,888	1,169
Total	-	-	8,576	6,857

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 92 327 gross developed hectares and 5 745 gross undeveloped hectares in western Canada in which Suncor held overriding royalty interests at the end of 1988 and from which it received revenues of about $3 million in 1988.

(4) Includes Lloydminster heavy oil and Fort Kent, Cold Lake, Burnt Lake and Athabasca oil sands leases comprising 122 174 gross (92 917 net) undeveloped hectares and 14 072 gross (3 353 net) developed hectares.

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

Reserves

Suncor has determined its reserves of conventional crude oil, natural gas and natural gas liquids at December 31, 1988. The following table sets forth Suncor'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)
Proved				
December 31, 1987	8.5	11.9	6.9	10.2
Revisions	(0.4)	(0.5)	(0.1)	(1.1)
Additions	0.7	0.3	0.6	0.2
Production	(0.8)	(0.8)	(0.7)	(0.7)
Sales	(0.8)	(0.4)	(0.7)	(0.3)
December 31, 1988	7.2	10.5	6.0	8.3
Proved developed - December 31, 1988	6.8	6.2	5.7	5.0
Probable additional - December 31, 1988	9.2	4.8	8.7	3.7

Notes:

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

Proved developed reserves means those proved 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 proved reserves where there is some degree of geological, engineering or operational risk. No adjustments have been made to reflect the degree of risk associated with the existence of the probable reserves.

(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.

Approximately 59% of the proved oil reserves are in Alberta, primarily in the Medicine River, Swan Hills, Mitsue, Youngstown and Pembina oil fields. A majority of the remainder is located in Saskatchewan, primarily in the Oungre, Weyburn and Steelman oil fields. Approximately 80% of the proved gas reserves are in Alberta, primarily in the Rosevear, Stolberg, Pine Creek, Calling Lake, Liege West, Mountain Park and Thorsby gas fields. Most of the remainder are located in British Columbia, primarily in the Adsett, Blueberry West and Bougie Creek gas fields. Suncor's probable additional oil reserves are located primarily in the Oungre, Steelman and Eagle Lake fields in Saskatchewan, the Mitsue, Nipisi, Judy Creek, Swan Hills, and Medicine River fields in Alberta and the Blueberry and Inga fields 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 and the Adsett and Bougie Creek fields in British Columbia. No amounts have been included in the reserves shown above in respect of Suncor's frontier or mineable oil sands properties. Only probable additional reserves are attributable to the Burnt Lake heavy oil project at this time.

Production

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

	For the year ended December 31			
	1988		1987	
	Gross	Net	Gross	Net
Crude Oil (thousands of m^3)				
Alberta	476	398	472	394
Saskatchewan	200	150	234	170
British Columbia	45	37	43	34
Manitoba	14	10	15	11
Total	735	595	764	609
Natural Gas Liquids, including Condensates (thousands of m^3)				
Alberta	64	49	41	30
British Columbia	3	3	4	3
Saskatchewan	-	-	1	1
Total	67	52	46	34
Total Liquids	802	647	810	643
Natural Gas (millions of m^3)				
Alberta	785	628	596	481
British Columbia	31	27	39	34
Saskatchewan	9	7	11	9
Total	825	662	646	524

As of December 31, 1988, Suncor had interests in 5 645 gross (603 net) producing oil wells in 93 oil fields. Of the gross wells, 3 050 were in Alberta, 1 899 in Saskatchewan, 382 in British Columbia and 314 in Manitoba. Suncor had interests in 703 gross (228 net) natural gas wells in 105 gas fields: 614 in Alberta, 67 in British Columbia, 19 in Saskatchewan and 3 in the Northwest Territories at the end of 1988. At the end of the year, 1 032 gross oil wells and 263 gross gas wells were shut-in.

Sales and Sales Revenues

In 1988, total revenue for Resources Group was $124 million including $77 million from conventional oil and natural gas liquids and $41 million from natural gas. The following table shows sale prices and lifting costs in connection with Suncor's conventional and heavy oil and natural gas operations during the periods indicated:

	For the year ended December 31	
	1988	1987
Average sales price		
Crude oil (per m^3)	$100	$134
Crude oil and natural gas liquids (per m^3)	97	131
Natural gas (per thousand m^3)	50	52
Average lifting costs of oil and gas (per equivalent m^3 of gross production)[(1)(2)]	20	21

(1) Lifting costs include all expenses related to the operation and maintenance of producing or producible wells, gas plants and gathering systems. Such costs do not include royalties, depreciation and depletion, selling, general and administrative expenses, and income taxes.

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

Suncor's crude oil production is utilized in its refining operations, exchanged for other crude oil with Canadian or U.S. refiners and sold to Canadian and U.S. purchasers. Sales are generally made under contracts which are terminable by relatively short notice or on a spot basis.

In prior years natural gas was sold primarily to pipeline carriers but as a result of deregulation which took place November 1, 1986, new sales to some end users are now possible. Consequently, natural gas marketing has become a major thrust for Resources Group.

Suncor uses its natural gas production in its oil sands plant at Fort McMurray and its Sarnia refinery and, as well, sells natural gas to other customers. In addition it purchases natural gas from other producers for resale or internal use. The oil sands plant utilized 15% of the gas produced by Suncor in 1988 compared with 23% in 1987. Suncor began supplying up to 550 thousand m^3 per day of natural gas to its Sarnia refinery on September 1, 1987 and continued at these levels in 1988.

External markets comprise both long term and short term sales to a variety of pipeline companies and end users. Long term contracts are primarily with various pipeline carriers, principally TransCanada PipeLines Limited ("TCPL"), Alberta utilities and industrial users in Alberta and Ontario. Suncor entered into a 10 year contract for supply of 140 thousand m^3 per day of natural gas to a distributor in Montana beginning in October 1987. Suncor estimates that about 59% of its proved gas reserves are currently subject to long term sales contracts. In addition, Suncor markets gas under short term contracts to U.S. industrial plants and local distribution companies. To ensure future U.S. transportation capability and enable Suncor to develop long-term gas contracts, Suncor contracted firm pipeline capacity of 1.4 million m^3 (50 million cubic feet) per day on the Northern Border Pipeline for a 15-year period, beginning on November 1, 1988. Suncor is also examining opportunities for taking firm capacity on other U.S. pipelines.

Pan Alberta Gas Ltd. ("Pan-Alberta") and TCPL are Suncor's highest volume purchasers. Both purchasers have implemented market allocation programs and take-or-pay provisions in the existing contracts have been terminated or waived. In the contract year ending October 31, 1988, Pan-Alberta took 101% of its minimum annual obligation under Pool 1 contracts and 61.5% of its minimum annual obligation under Pool 2 contracts compared with 80% and 40% in the previous contract year. Pan-Alberta increased its purchases significantly during the 87/88 contract year as a result of increased sales into U.S. spot markets.

TCPL took 44% of its minimum annual obligation in the contract year ended October 31, 1988 compared to 37% in the previous year. TCPL is managing to offset to a certain extent losses in its Eastern Canadian markets with increased sales into U.S. spot markets. As a result of the 1988 Divestment Program, Suncor has reduced its inventory of TCPL properties significantly.

Suncor owns the Albersun pipeline system which runs from north of Edmonton to Fort McMurray. The pipeline transports natural gas produced by Suncor or purchased from other producers in the Albersun area for use at Suncor's oil sands plant and for sale to other customers.

With the removal of the regulated Alberta border price on November 1, 1986 net-back pricing schemes were adopted under gas contracts with TCPL and Pan-Alberta whereby producers receive revenues equal to their proportionate share of sales less regulated transportation charges and a marketing fee. The initial two year term of most net-back pricing arrangements expired on October 31, 1988. These arrangements now have been extended for a further two years by Pan-Alberta and for the remaining economic life of the reserves by TCPL.

The TCPL arrangements modify the Topgas and Topgas II arrangements by reinstating take-or-pay at the 50% level effective November 1, 1990, by extending contracts to the end of their economic reserve life, by allowing for decontracting past November 1, 1990 if take levels of less than 75% are attained, and by facilitating additions to TCPL's supply pool.

SUNOCO GROUP

Suncor conducts its refining and marketing of petroleum products and petrochemicals through Sunoco Inc. and its subsidiaries ("Sunoco").

Refining

Suncor owns and operates a refinery at Sarnia, Ontario. Average daily crude input in 1988 was 8 946 m^3 compared with 1987 average input of 9 406 m^3 per day. The effective economic crude unit processing capacity is 11 129 m^3 daily. The average utilization rate of the refinery, based upon crude unit processing capacity and input to crude units during 1988, was 80% compared to 85% in 1987. The refinery has cracking capacity of 5 883 m^3 daily of which 84% was utilized in 1988 compared to 85% in 1987. Lower crude and cracking capacity utilization rates in 1988 reflect production interruptions at the refinery associated with the extended shutdown of the catalytic cracking unit during the second quarter.

Suncor's refining operation uses both synthetic and conventional crude oil. In 1988, 52% of the crude oil refined at the Sarnia refinery was synthetic crude oil compared with 47% in 1987, the remainder being conventional crude oil. Of the synthetic crude, about 64% was from Suncor's oil sands plant production in 1988 compared to 81% in 1987, and the rest was purchased from another producer under month-to-month contracts. The reduction in the amount of synthetic crude from Suncor's oil sands plant that was refined at the Sarnia refinery in 1988 reflects the shutdown of production at the oil sands plant during part of the first quarter while facilities damaged in the October 1987 fire were being rebuilt. Conventional crude oil refined by Suncor comes mainly from the production of Suncor and others in western Canada, supplemented from time to time with crude oil from the United States which is purchased or obtained in exchange for Canadian crude. Crude oil from other countries can also be delivered to Sarnia via pipeline from the United States Gulf Coast providing additional flexibility and security of supply. The market for crude oil generally is conducted on a spot basis or under contracts terminable by short notice.

Suncor's gross crude oil production as a percentage of crude oil refined for Suncor's account equalled 112% for 1988, compared with 100% for 1987.

The refinery 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.

Suncor uses reciprocal product exchanges with other refiners to minimize transportation costs, balance product availability in particular locations, and optimize refinery utilization. In addition, Suncor purchases refined products on occasion to supplement its own refinery production.

Marketing

Suncor markets transportation fuels, heating oils and lubricants under the Sunoco brand to retail, commercial and industrial customers, primarily in Ontario and Quebec. The company also supplies these products to independent marketers.

Suncor also markets toluene, mixed xylenes and orthoxylene in Canada, the United States and Europe. These petrochemicals are used in manufacturing plastics, rubber, synthetic fibres and explosives, as industrial and agricultural solvents and as gasoline octane enhancers. The majority of Suncor's benzene production is exchanged with another petrochemical manufacturer for a mixed toluene-xylene stream. The company also sells liquified petroleum gases which are produced in the course of its petrochemical production, including propane and butane, to various industrial users and to resellers.

Suncor retails transportation fuels, lubricants and other products (tires, batteries and accessories) through a network of approximately 790 outlets, located primarily in Ontario and Quebec. Of this total, approximately 620 outlets bear the Sunoco brand and are owned or leased by the company or its dealers. Suncor also manages approximately 170 privately branded retail outlets under long-term management agreements expiring on various dates.

The company is continuing to upgrade and restructure its retail network. During the year, 140 sites were refurbished as part of the company's image upgrading program. These conversions, together with the 200 completed in 1987, bring the program close to completion. Twenty new Sunoco retail outlets were opened during the year, including 11 combined gasoline outlets and Winks Convenience stores and two Aquashine Touch-free car washes. A program of divesting low-volume retail sites that commenced in 1986 neared completion in 1988.

Suncor has facilities in Toronto and Montreal for blending and packaging lubricants which are sold under the Sunoco brand, as well as to independent distributors. The Company also sells residual fuel oil on a spot basis or as asphalt feedstock.

The following table sets forth the average daily volumes of refined products sold by Suncor for the periods indicated:

	For the Year Ended December 31 (thousands of m^3 per day)	
	1988	1987
Transportation Fuels (1)	7.4	7.2
Petrochemicals (2)	1.7	1.7
Heating Oils	0.9	1.3
Heavy Fuel Oils	0.6	0.6
Other (3)	1.5	0.8
	12.1	11.6

(1) Includes gasoline, diesel fuel and propane and natural gas for vehicle use
(2) Includes liquified petroleum gases
(3) Includes lubricants and petrochemical feedstocks

Transportation and Distribution

Suncor operates storage facilities and bulk distribution plants in Ontario and Quebec and has a 55% 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.

OTHER INVESTMENTS

Oakwood Petroleums Ltd.

In December, 1987, a wholly owned subsidiary of Suncor purchased 840,984 common shares of Oakwood Petroleums Ltd. ("Oakwood"). The purchased shares represented 19.55% of the outstanding voting shares of Oakwood (13.99% on a fully diluted basis). At that time, Suncor indicated its interest in acquiring the remaining outstanding equity of Oakwood under certain conditions. At this time last year Suncor continued to be interested in acquiring Oakwood, but when crude prices deteriorated Suncor decided not to pursue any further interest in Oakwood. On January 31, 1989, Oakwood shareholders and creditors approved a Plan of Arrangement which was subsequently approved by the Court of Queen's Bench of Alberta on February 20, 1989 and, as a result, the Oakwood equity position has been converted into a small equity position of less than one percent in Sceptre Resources Limited.

ENVIRONMENTAL PROTECTION

Federal and provincial conservation and environmental protection legislation applies to all aspects of Suncor's operations. This regulatory scheme requires that Suncor obtain air and water control licences and imposes certain standards and controls on plant design, reclamation programs, drilling activity and well control, oil spills, leaks from transportation and storage facilities and emission standards. Suncor uses its best efforts to ensure that its operations are carried out in an environmentally acceptable manner.

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 matters.

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. In 1985, the Western Accord and the Natural Gas Agreement, between the governments of Canada and the provinces of Alberta, British Columbia and Saskatchewan, ended the National Energy Program 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.

Agreements have also been entered between the governments of Canada and the provinces of Newfoundland and Nova Scotia relating to oil and natural gas management and revenue sharing off the coasts of Newfoundland and Nova Scotia.

The Canada Petroleum Resources Act regulates crude oil and natural gas interests in the Canada Lands, which are under the jurisdiction of the Federal Government, and replaced the Canada Oil and Gas Act. The Canada Petroleum Resources Act, among other things, provides for a 25% exploration tax credit for qualifying frontier exploration expenses without regard to Canadian ownership.

Provincial Land Tenure

Most of Suncor's land rights in the province of Alberta are under petroleum and natural gas leases granted by the Crown in right of Alberta with primary terms of 5, 10 or 21 years. All such leases will be continued beyond the primary term for those producing or capable of producing petroleum substances in paying quantities. If production ceases then up to 1 year's notice will be given by the Crown to restore production or the lease will terminate. Rights to zones below the deepest zone considered by the province of Alberta to be capable of production in commercial quantities will revert to the province at the end of the primary term of the lease.

Petroleum and natural gas rights acquired in the province of British Columbia are in the form of drilling licences, permits, and leases with primary terms of 5 or 10 years.

In the province of Saskatchewan, Crown petroleum and natural gas rights are acquired in the form of drilling reservations with 1 year terms, permits with 3 year terms and leases with primary terms of 5 years. All Crown leases will be continued beyond the primary term for those producing or capable of producing petroleum substances.

Some of Suncor's rights held in Alberta, British Columbia and Saskatchewan are subject to work commitments.

Foreign Ownership and Competition

By virtue of Sun Company, Inc. being its major shareholder and because of the nature and size of its business, some of Suncor's acquisition activity may require government review under the Investment Canada Act. As well, the premerger notification provisions in the Competition Act will apply to certain of Suncor's transactions.

ITEM 3 SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

	1988	1987	1986	1985	1984
	($ millions except per share amounts)				
Annual data:					
Sales and other operating revenues	$1,342	$1,364	$1,150	$1,466	$1,575
Total revenues	$1,345	$1,370	$1,157	$1,474	$1,584
Earnings before unusual items	$ (4)	$ 48	$ 1	$ 33	$ 110
Earnings (loss) for the year	$ (49)	$ 48	$ (7)	$ 21	$ 110
Total assets	$2,023	$2,080	$2,107	$2,251	$2,119
Long-term borrowings & redeemable preferred shares	$ 296	$ 227	$ 353	$ 424	$ 310
Earnings (loss) per common share	$(0.94)	$ 0.88	$(0.15)	$ .38	$ 2.05
Cash dividends per common share	$ 0.40	$ 0.20	$ 0.29	$ 0.78	$ 0.78

	Dec.31 1988	Sept.30 1988	June 30 1988	Mar.31 1988	Dec.31 1987	Sept.30 1987	June 30 1987	Mar.31 1987
	($ millions except per share amounts)							
Quarterly data:								
Sales and other operating revenues	$370	$323	$332	$317	$338	$351	$351	$324
Total revenues	371	324	332	318	340	353	352	325
Earnings (loss) before unusual items for the period	13	-	(2)	(15)	(14)	7	32	23
Earnings (loss) for the period	(10)	8	(32)	(15)	(14)	7	32	23
Earnings (loss) per common share for the period	$(0.20)	$0.15	$(0.61)	$(0.28)	$(0.27)	$0.13	$ 0.59	$0.43

ITEM 4 ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The continuing oversupply of crude oil on world markets in 1988 pushed West Texas Intermediate, the North American crude oil benchmark, to below U.S. $13 per barrel and a yearly per barrel average of approximately U.S. $16, (U.S. $19 in 1987). This, coupled with the stronger Canadian dollar, was the single most significant factor for the decline in the Company's earnings and cash flow for the year. Earnings were also negatively affected by charges associated with asset restructuring and a manpower reduction program to be implemented in 1989. The deficiency in cash resulted in an increase in borrowings, with the long-term debt position increasing to $289 million from $220 million at the end of 1987.

Consolidated Earnings

For the year ended December 31, 1988 there was a loss of $49 million compared to earnings of $48 million for 1987. The loss of $49 million for 1988 included unusual charges of $45 million. The decline in earnings from operations was primarily due to average crude selling prices of about Cdn. $18 per barrel, being approximately Cdn. $5 per barrel lower than prices in 1987, and costs associated with the shutdown of the Sarnia refinery's catalytic cracking unit for fire damage repairs partially offset by higher production at the oil sands plant and a lower oil sands depreciation charge. The unusual charge of $45 million in 1988 was comprised of a $36 million charge (net of income tax credits of $37 million) related to asset restructuring and a $9 million charge (net of income tax credits of $5 million) for a manpower reduction program to be implemented in 1989.

Segmented Earnings

Oil Sands Group

This segment reported a loss of $11 million in 1988 compared to earnings in 1987 of $35 million.

The loss in 1988 was primarily attributable to a 23 percent decline in average synthetic crude oil selling prices from 1987. The decline was partially offset by a 12 percent increase in production and a $15 million reduction in the depreciation charge on certain plant assets. Production was lower in 1987 due to the forced shutdown of operations following a fire in October 1987.

Resources Group

The loss for this segment was $5 million in 1988, compared to a loss of $1 million in 1987.

The increase in the loss for 1988 was primarily attributable to declines of 25 percent and 4 percent in crude oil and natural gas selling prices respectively. The impact of lower prices was partially offset by higher natural gas sales and improved efficiencies.

Sunoco Group

Earnings from this segment were $25 million in 1988 compared to $33 million in 1987.

The decline in earnings in 1988 was primarily due to production interruptions at the Sarnia refinery. During the year retail gasoline volumes increased nine percent from 1987's level.

Non-segment Items

Non-segment expenses were $13 million in 1988 compared to $19 million in 1987.

The decrease in net expense is primarily as a result of lower corporate and interest expenses and the favourable consolidating adjustment. The results for both the Oil Sands and Resources Groups include the activities related to the production and sale of crude oil. Depending upon the selling price of crude oil and the costs related to its production, such transactions can result in a profit or loss. Accounting principles require that the results of such transaction within the consolidated results of the company be deferred until the resulting refined products are sold. Due to the drop in the crude oil price in 1988, there was a loss deferred at December 31, 1988.

Consolidated Statement of Changes in Financial Position

Cash from operations decreased by $162 million or 69 percent in 1988 from 1987, primarily reflecting the impact of lower earnings, and increased investment in working capital due largely to the resumption of operations at the oil sands plant. Proceeds from asset disposals provided additional cash, resulting primarily from the Resources Group's asset restructuring program.

Capital expenditures totalled $203 million in 1988, up 43 percent or $61 million from 1987. Oil Sands capital expenditures include $28 million on the extraction plant rebuild and $23 million on the debottlenecking project. Resources Group spending included $20 million on the Burnt lake project. Sunoco increased the spending on developing and improving its retail network by $15 million over its 1987 level.

Common share cash dividends of $0.40 per share were paid in 1988 and $0.20 in 1987. The common share dividends were paid in stock for the first two quarters of 1987. They were restored to a cash dividend of $0.10 in the third quarter of 1987.

In 1988, in response to expectations of an uncertain crude price environment and potentially lower cash flow, the Company reviewed its capital spending programs. The Company announced plans to slow down spending on the debottlenecking project at Oil Sands and development of the Resources Group's interest in the heavy oil property at Burnt Lake, Alberta. Projects with rapid paybacks and those for environmental protection, safety and maintenance are not affected.

Internal cash generated in 1989 is expected to be sufficient to fund planned capital programs and required debt repayment of $7 million. The Company's first quarter common share dividend was a stock dividend. The Company plans to monitor its cash needs and will make a decision on the nature of future common share dividends at the appropriate time.

Planned capital expenditures are subject to change depending upon operating results and conditions; furthermore, opportunities may arise for acquisitions or other spending activities requiring funds which exceed internally generated cash. Additional funds for such purposes are available under the $660 million revolving credit and term loan agreements described in note 13 to the financial statements.

The net cash generated in 1987 of $120 million was mostly applied to reduce existing variable rate borrowings.

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, 1988 have reduced the authorized number of Preferred Shares

Series A to 527 488. 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 23, 1989, 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 1987 and 1988 as follows:

		Preferred Shares Series A	Common
Quarters 1987	- 1	0.48	0.10*
	- 2	0.48	0.10*
	- 3	0.48	0.10
	- 4	0.48	0.10
1988	- 1	0.48	0.10
	- 2	0.48	0.10
	- 3	0.48	0.10
	- 4	0.48	0.10

* In the first half of 1987, 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 1986, 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
Sunoco Inc.	Ontario	100%
Albersun Pipeline Ltd.(1)	Alberta	100%
Sun-Canadian Pipe Line Company Limited	Ontario	55%
Suncor (Saskatchewan) Inc.	Canada	100%

(1) This subsidiary was wound-up on December 30, 1988.

ITEM 8 DIRECTORS AND OFFICERS

Directors

Suncor's Articles stipulate that there shall be not more than 15 nor fewer than 8 directors, as the board of directors may determine from time to time. It is presently determined that the board of directors shall consist of 14 directors. The term of office of each director is from the date of the meeting at which he is elected until the next annual meeting of shareholders or until a successor is elected or appointed.

Except as otherwise indicated below with respect to Mr. Thomson, Mr. Genest, Mr. Kingsmill and Mr. Saint-Pierre, all of the 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 5 years. Mr. Thomson was Senior Vice President of Imperial Oil Limited prior to December, 1984. Mr. Genest was a partner in the law firm of Cassels, Brock & Blackwell prior to November, 1987. Mr. Kingsmill was a partner in the law firm of Tilley, Carson & Findlay prior to April, 1988. Mr. Saint-Pierre was President and Chief Executive Officer of Ogilvie Mills Ltd. and Senior Vice President of John Labatt Limited prior to January, 1989.

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

Harry Booth	John P. Neafsey
Pierre Genest	W. Robert Wyman
Ardagh S. Kingsmill	

Name and Municipality of Residence	Principal occupation and major positions and offices with Suncor or its significant affiliates	Director since*
Harry Booth Calgary, Alberta	Chairman of the Executive Committee, Board of Directors, Alberta Natural Gas Company Ltd., a company with natural gas transportation and petrochemical interests.	July 26, 1984
Robert H. Campbell Villanova, PA	Executive Vice President and a director of Sun Company, Inc.	April 26, 1984
Max B. E. Clarkson Toronto, Ontario	Professor, Faculty of Management, University of Toronto	September 7, 1977
Pierre Genest, Q.C. Toronto, Ontario	Partner in the law firm of Genest Murray DesBrisay Murray	January 29, 1982

Directors (continued)

Name and Municipality of Residence	Principal occupation and major positions and offices with Suncor or its significant affiliates	Director since*
Peter C. Harris Toronto, Ontario	Senior Vice President and Chief Financial Officer of Suncor and a director of Sunoco Inc., a petroleum refining and marketing company wholly-owned by Suncor.	November 26, 1986
Ardagh S. Kingsmill, Q.C. Toronto, Ontario	Partner in the law firm of McCarthy and McCarthy	April 30, 1964
Michael M. Koerner Toronto, Ontario	President of Canada Overseas Investments Limited, a venture capital investment management company. Mr. Koerner is Chairman of the Board of Suncor.	May 31, 1977
Edward J. McGrath London, Ontario	Partner in law firm of Lamon, McGrath & Braiden	May 29, 1986
John P. Neafsey Haverford, PA	Executive Vice President and a director of Sun Company, Inc.	May 3, 1979
Heather Reisman Toronto, Ontario	Managing Director of Paradigm Consulting Inc., consultants on strategic change.	April 24, 1986
Bill N. Rutherford Berwyn, PA	Senior Vice President, Human Resources and Administration, Sun Company, Inc.	November 22, 1988
J. A. Guy Saint-Pierre Montreal, Quebec	President and Chief Operating Officer of The SNC Group Inc.	September 24, 1980
Thomas H. Thomson Toronto, Ontario	President and Chief Executive Officer of Suncor. Mr. Thomson is President and a director of Sunoco Inc.	April 24, 1985
W. Robert Wyman Vancouver, B.C.	Chairman of Pemberton Securities Inc.	November 25, 1987

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
William N. Turner Nepean, Ontario	Vice President, Government Affairs
Grant A. T. Allan Oakville, Ontario	Vice President, Planning and Finance
Michael W. O'Brien Toronto, Ontario	Vice President, Corporate Development
George Eynon Calgary, Alberta	Vice President, Exploration Resources Group
Harry Maguss Calgary, Alberta	Vice President, Production Division, Resources Group
Arnold L. Godin Fort McMurray, Alberta	Vice President, Mining and Extraction, Oil Sands Group

Officers (continued)

Name and Municipality of Residence	Office Held
Bernard A. Lang Fort McMurray, Alberta	Vice President, Strategic Development, Oil Sands Group
Edward J. Pacholko Fort McMurray, Alberta	Vice President, Technical Resources, Oil Sands Group
Donald R. Brown, Q.C. Toronto, Ontario	General Counsel and Secretary
Anthony A. L. Wright Toronto, Ontario	Treasurer and Assistant Secretary
David R. Maughan Toronto, Ontario	Assistant Treasurer

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: T.H. Thomson was Senior Vice President of Imperial Oil Limited prior to December, 1984; D.G. MacKenzie was Senior Vice President - Petro-Canada Products, a division of Petro-Canada Inc. prior to May, 1986; G. Eynon was Vice President, Exploration, Superior Norge Exploration Company and General Manager, Denmark Superior Oil International prior to September, 1984; and D. R. Brown was Vice-President and General Counsel of Traders Group Limited prior to February, 1988, and was General Counsel of The Bank of Nova Scotia prior to February, 1984.

As of March 23, 1989, 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, indebtedness of directors and officers, principal holders of Suncor's securities and interests of insiders in material transactions is contained in Suncor's Management Proxy Circular dated March 23, 1989 for the annual meeting of shareholders to be held on April 27, 1989. Additional financial information is provided on pages 29 to 42 and in the Auditors' Report on page 28 of Suncor's Annual Report to Shareholders for the year ended December 31, 1988. The foregoing information is incorporated herein by reference.

Copies of these documents may be obtained upon request from the Secretary, Suncor Inc., 36 York Mills Road, North York, Ontario, M2P 2C5.

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 23, 1989

(Signed) Thomas H. Thomson
President and Chief
Executive Officer

Peter C. Harris
(Signed) Peter C. Harris
Chief Financial Officer

On behalf of the Board of Directors

(Signed) John P. Neafsey
Director

(Signed) Edward J. McGrath
Director

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