News Release

**FOR IMMEDIATE RELEASE**

## Record production and strong commodity prices contribute to solid 2006 financial results for Suncor Energy

*All financial figures are unaudited and in Canadian dollars unless noted otherwise. Certain prior period amounts have been restated to conform to the current year's presentation. Certain financial measures referred to in this document, including return on capital employed and cash operating costs, are not prescribed by Canadian generally accepted accounting principles (GAAP). For a description of these measures, see "Non GAAP Financial Measures" in this document. This document makes reference to barrels of oil equivalent (boe). A boe conversion ratio of six thousand cubic feet of natural gas: one barrel of crude oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Accordingly, boe measures may be misleading, particularly if used in isolation.*

**Calgary, Alberta (January 25, 2007)** – Suncor Energy Inc. today reported 2006 net earnings of $2.971 billion ($6.47 per common share), an increase from $1.158 billion ($2.54 per common share) in 2005. Excluding the effects of insurance proceeds, the reduction of federal and Alberta income tax rates and unrealized foreign exchange gains on the company's U.S. dollar denominated long-term debt, 2006 net earnings were $2.320 billion ($5.05 per common share) compared to $834 million ($1.83 per common share) in 2005. Cash flow from operations in 2006 was $4.533 billion compared to $2.476 billion in 2005.

The increase in both net earnings and cash flow from operations primarily reflects higher crude oil production and higher crude oil prices in 2006. In 2005, Suncor's operational and financial performance was impacted by a fire that cut production rates approximately in half for close to eight months, while in 2006, Suncor also benefited from an expansion project that resulted in increased production capacity.

"After a difficult year in 2005, we came back strong and went on to achieve a record level of production in 2006," said Rick George, president and chief executive officer. "The focus now is on the fundamentals – steady, safe and reliable operations as we continue to build the foundation for future growth."

### 2006 Overview

- Combined oil sands and natural gas production in 2006 was 294,800 barrels of oil equivalent (boe) per day, compared to 206,100 boe per day in 2005. Oil sands production averaged 260,000 barrels per day (bpd) in 2006 (253,800 bpd of synthetic crude oil and 6,200 bpd of bitumen sold directly to the market), compared to 171,300 bpd in 2005. Natural gas production averaged 191 million cubic feet (mmcf) per day, compared to an average 190 mmcf per day in 2005.

- Oil sands cash operating costs averaged $21.70 per barrel during 2006 compared to $24.55 per barrel in 2005. The decrease in 2006 was primarily due to fixed operating costs being spread over higher production volumes, as well as lower natural gas costs.

- Suncor continued to make progress on the expansion of Upgrader 2. Engineering work on the project, which is expected to increase production capacity to 350,000 bpd in 2008, is substantially complete and construction is 69% complete. The project remains on schedule and within budget.

- Average daily in-situ bitumen production from Suncor's Firebag facilities increased to 33,700 bpd from 19,100 bpd in 2005.

- Plans for Suncor's next major stage of oil sands growth were also advanced in 2006 with receipt of regulatory approval for a planned third upgrader and extension of the Steepbank Mine, two key components in the company's plan to increase production to 500,000 to 550,000 bpd in 2010 to 2012.

- In its U.S. downstream operations, Suncor completed modifications in June to the company's Commerce City (Denver) refining operation that enabled production of ultra low sulphur diesel fuel and the integration of up to 10,000 to 15,000 bpd of oil sands sour crude into the refinery's feedstock.

- In Suncor's Canadian downstream operations, modifications were completed in July to enable the company's Sarnia refinery to meet ultra low sulphur diesel requirements. The second stage of this project, slated for completion in the fourth quarter of 2007, is planned to integrate up to 40,000 bpd of oil sands sour crude into the facility's feedstock and to improve the economic performance of the refinery.

- While continuing to expand its integrated oil sands and downstream refining and marketing businesses, Suncor also made advances in its renewable energy strategy with the opening of Canada's largest ethanol plant and the commissioning of its third wind farm. Further investment in ethanol-based biofuels and a fourth wind farm are planned for 2007.

- Maintaining a strong balance sheet remained a priority in 2006. Suncor's net debt (including cash and cash equivalents) at December 31, 2006 was $1.9 billion (approximately 0.4 times cash flow from operations). Year-end net debt in 2005 was $2.9 billion (approximately 1.2 times cash flow from operations)

- Suncor achieved a company-wide return on capital employed of 40.6% in 2006 (excluding capitalized costs for major projects in progress), compared to 19.7% in 2005.

**Fourth Quarter 2006**

Suncor's net earnings for the fourth quarter of 2006 were $358 million ($0.78 per common share) compared to $693 million ($1.52 per common share) in the fourth quarter of 2005. Excluding the effects of insurance proceeds and unrealized foreign exchange gains on the company's U.S. dollar denominated long-term debt, fourth quarter net earnings were $374 million ($0.81 per common share) compared to $599 million ($1.31 per common share) during the fourth quarter of 2005. Cash flow from operations for the fourth quarter of 2006 was $746 million, compared to $1.226 billion in the fourth quarter of 2005.

The decrease in net earnings primarily reflects higher oil sands operating costs as a result of increased levels of maintenance activity and higher labour expenses during the fourth quarter. Company-wide fourth quarter net earnings were also negatively impacted by lower earnings in the Natural Gas business and the impact of maintenance activities in Suncor's downstream operations. The decrease in cash flow from operations in the fourth quarter of 2006 compared to the fourth quarter of 2005 was due to the same factors that impacted net earnings during this period.

Suncor's combined oil sands and natural gas production for the fourth quarter was 301,100 boe per day, compared to 302,700 boe per day in the same period of 2005. Natural gas production averaged 192 mmcf per day in the fourth quarter of 2006, relatively steady compared to the 193 mmcf per day recorded in the fourth quarter of 2005. Oil sands production in the fourth quarter of 2006 averaged 266,400 bpd, consisting of 256,700 bpd of synthetic crude oil and 9,700 bpd of bitumen sold directly to the market. Oil sands production in the fourth quarter of 2005 averaged 267,700 bpd, consisting of 260,500 bpd of synthetic crude oil and 7,200 bpd of bitumen sold directly to the market.

Fourth quarter 2006 oil sands cash operating costs were $25.65 per barrel, compared to $20.90 per barrel in the same period of 2005. Cash operating costs per barrel were higher in 2006 primarily as a result of the same factors impacting total oil sands operating costs, as noted above.

In Suncor's Canadian downstream operations, a shutdown of the Sarnia refinery to tie-in modified facilities was completed on December 22. The work, which began in early September, was undertaken in stages to allow the facility to continue production at reduced rates.

As part of the company's long-range planning, Suncor elected in late 2006 to transition to the Government of Alberta's generic bitumen-based royalty in 2009.

## Outlook

Suncor's outlook provides management's targets for 2007 in certain key areas of the company's business. Outlook forecasts, which are updated quarterly, are subject to change.

| | **2007 Full Year Outlook** |
|---|---|
| **Oil Sands** | |
| Production (bpd) [(1)] | 260,000 to 270,000 |
| Diesel | 10% |
| Sweet | 42% |
| Sour | 43% |
| Bitumen | 5% |
| Realization on crude sales basket | WTI @ Cushing less<br>Cdn$7.50 to $8.50 per barrel |
| Cash operating costs [(2)] | $21.50 to $22.50 per barrel |
| **Natural Gas** | |
| Natural gas production [(3)]<br>(mmcf equivalent per day) | 215 to 220 |

1. The 2007 oil sands production target includes approximately 5% non-upgraded bitumen sold directly to the market. In 2006, the production target referred only to synthetic crude oil production.

2. Cash operating cost estimates are based on the following assumptions: i) production of 260,000 to 270,000 bpd; ii) a production sales mix as described in the chart above; and iii) a natural gas price of US$7.60 per thousand cubic feet (mcf) at Henry Hub. Cash operating costs per barrel are not prescribed by Generally Accepted Accounting Principles (GAAP). This non-GAAP financial measure does not have any standardized meaning and therefore is unlikely to be comparable to similar measures presented by other companies. Suncor includes this non-GAAP financial measure because investors may use this information to analyze operating performance. This information should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. See "Non-GAAP Financial Measures".

3. The 2007 production target includes natural gas liquids (NGL) and crude oil converted into mmcf equivalent at a ratio of one barrel of NGL/crude oil: six thousand cubic feet of natural gas. This mmcf equivalent may be misleading, particularly if used in isolation. A conversion ratio of one barrel of NGL/crude oil: six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Factors that could potentially impact Suncor's financial performance include:

- Crude oil hedges. Suncor has hedging agreements for 60,000 bpd in 2007. These costless collar hedges have an average floor of approximately US$51.64 per barrel while allowing participation in higher crude oil prices with an average ceiling of approximately US$93.26 per barrel. The company will consider future costless collars up to 30% of annual planned crude oil production if strategic opportunities are available.

- Scheduled tie-ins of modified facilities at Suncor's oil sands operation are planned during 2007. Upgrader 2 is expected to be shut down for approximately 50 days in the second quarter while this work is under way. During the outage, Upgrader 1 is expected to continue normal production. Although this shutdown is reflected in operational targets for the year, production estimates could be impacted if the work takes longer than planned or is impacted by labour or material supply issues. The tie-in work is required to enable production capacity to be increased to a planned 350,000 bpd in 2008.

- Scheduled tie-ins of modified facilities at Suncor's refineries. Suncor plans to begin a shutdown of the Sarnia refinery in the third quarter of 2007 (with completion scheduled in the fourth quarter of 2007) to tie-in modified facilities that are expected to enable the facility to process up to 40,000 bpd of oil sands sour crude.

Further discussion of the risks, uncertainties and other factors that could affect these plans, and any actual results, is included in Suncor's annual report to shareholders and other documents filed with regulatory authorities.

**Net Earnings Components**

This table sets forth some of the factors impacting Suncor's net earnings. For comparability purposes, readers should rely on the reported net earnings that are presented in the company's consolidated financial statements and notes in accordance with Canadian GAAP. The company's fourth quarter financial statements (unaudited) can be obtained at www.suncor.com or by calling 1-800-558-9071.

| ($ millions after tax) (unaudited) | Fourth Quarter **2006** | 2005 | Years ended December 31 **2006** | 2005 |
|---|---|---|---|---|
| Net earnings before the following items | **374** | 603 | **2 333** | 838 |
| Firebag Stage 2 start-up costs | **-** | (4) | **(13)** | (4) |
| Oil Sands fire accrued insurance proceeds[(1)] | **27** | 98 | **232** | 293 |
| Impact of income tax rate reductions on opening future income tax liabilities [(2)] | **-** | - | **419** | - |
| Unrealized foreign exchange gain (loss) on U.S. dollar denominated long-term debt | **(43)** | (4) | **-** | 31 |
| Net earnings as reported | **358** | 693 | **2 971** | 1 158 |
| Net earnings per share attributable to common shareholders as reported | **$0.78** | $1.52 | **$6.47** | $2.54 |

(1) Net accrued property loss and business interruption proceeds net of income taxes and Alberta Crown Royalties.

(2) Impacts of the Federal and Alberta income tax rate changes enacted in the second quarter of 2006.

## Non GAAP Financial Measures

Suncor includes cash and total operating cost per barrel data, return on capital employed (ROCE) and cash flow from operations because investors may use this information to analyze operating performance, leverage and liquidity. The additional information may not be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Cash flow from operations is expressed before changes in non-cash working capital. A reconciliation of net earnings to cash flow from operations is provided in the schedules of segmented data, which are an integral part of the company's fourth quarter financial statements.

The following table outlines the reconciliation of oil sands cash and total operating costs to expenses included in the schedules of segmented data in the company's fourth quarter 2006 financial statements.

| **Oil Sands Operating Costs - Total Operations** | | Fourth Quarter | | | | Years ended December 31 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2006** | | 2005 | | **2006** | | 2005 | |
| | | **$ millions** | **$/barrel** | $ millions | $/barrel | **$ millions** | **$/barrel** | $ millions | $/barrel |
| Operating, selling and general expenses | | **675** | | 466 | | **2 149** | | 1 432 | |
| Less: natural gas costs and inventory changes | | **(113)** | | (80) | | **(312)** | | (258) | |
| Less: non-monetary transactions | | **(22)** | | - | | **(126)** | | - | |
| Accretion of asset retirement obligations | | **7** | | 6 | | **28** | | 24 | |
| Taxes other than income taxes | | **8** | | 7 | | **36** | | 29 | |
| Cash costs | | **555** | **22.65** | 399 | 16.20 | **1 775** | **18.70** | 1 227 | 19.60 |
| Natural gas | | **74** | **3.00** | 115 | 4.65 | **276** | **2.90** | 307 | 4.90 |
| Imported bitumen (net of other reported product purchases) | | **-** | **-** | 1 | 0.05 | **6** | **0.10** | 2 | 0.05 |
| Total cash operating costs | A | **629** | **25.65** | 515 | 20.90 | **2 057** | **21.70** | 1 536 | 24.55 |
| In-situ (Firebag) start-up costs | B | **-** | **-** | 7 | 0.30 | **21** | **0.20** | 7 | 0.10 |
| Total cash operating costs after start-up costs | A+B | **629** | **25.65** | 522 | 21.20 | **2 078** | **21.90** | 1 543 | 24.65 |
| Depreciation, depletion and amortization | | **104** | **4.25** | 89 | 3.60 | **385** | **4.05** | 330 | 5.30 |
| Total operating costs | | **733** | **29.90** | 611 | 24.80 | **2 463** | **25.95** | 1 873 | 29.95 |
| Production (thousands of barrels per day) | | 266.4 | | 267.7 | | 260.0 | | 171.3 | |

| **Oil Sands Operating Costs - In-situ Bitumen Production Only** | | Fourth Quarter | | | | Years ended December 31 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2006** | | 2005 [1] | | **2006** | | 2005 [1] | |
| | | **$ millions** | **$/barrel** | $ millions | $/barrel | **$ millions** | **$/barrel** | $ millions | $/barrel |
| Operating, selling and general expenses | | **57** | | 49 | | **209** | | 155 | |
| Less: natural gas costs and inventory changes | | **(32)** | | (33) | | **(103)** | | (91) | |
| Taxes other than income taxes | | **1** | | - | | **4** | | - | |
| Cash costs | | **26** | **8.05** | 16 | 6.70 | **110** | **8.95** | 64 | 9.15 |
| Natural gas | | **32** | **9.90** | 33 | 13.80 | **103** | **8.35** | 91 | 13.05 |
| Cash operating costs | A | **58** | **17.95** | 49 | 20.50 | **213** | **17.30** | 155 | 22.20 |
| In-situ (Firebag) start-up costs | B | **-** | **-** | 7 | 2.90 | **21** | **1.70** | 7 | 1.00 |
| Total cash operating costs after start-up costs | A+B | **58** | **17.95** | 56 | 23.40 | **234** | **19.00** | 162 | 23.20 |
| Depreciation, depletion and amortization | | **20** | **6.20** | 11 | 4.60 | **68** | **5.55** | 34 | 4.90 |
| Total operating costs | | **78** | **24.15** | 67 | 28.00 | **302** | **24.55** | 196 | 28.10 |
| Production (thousands of barrels per day) | | 35.1 | | 26.0 | | 33.7 | | 19.1 | |

[1] Firebag start-up costs have not been seperately identified in past quarterly Reports to Shareholders. We have segregated these costs for comparable information puposes to provide additional detail to the individual components of cash costs.

## Return on Capital Employed

Net earnings adjusted for after-tax financing expenses (2006 – $26 million; 2005 – income of $16 million) for the twelve month period ended (2006 – $2.997 billion; 2005 – $1.142 billion); divided by average capital employed (2006 – $7.379 billion; 2005 – $5.786 billion). Average capital employed is the sum of shareholders' equity and short-term debt plus long-term debt less cash and cash equivalents, at the beginning and end of the year, divided by two, less average annual capitalized costs related to major projects in progress (as applicable). For more detail on how ROCE is calculated, see page 56 of Suncor's 2005 Annual Report.

**Reconciliation of cash flow from operations on a per share basis (unaudited)**

| | | Fourth Quarter | | Years ended December 31 | |
|---|---|---|---|---|---|
| | | **2006** | 2005 | **2006** | 2005 |
| Cash flow from operations ($ millions) | A | **746** | 1 226 | **4 533** | 2 476 |
| Weighted average number of common shares outstanding - basic (millions of shares) | B | **460** | 457 | **459** | 456 |
| Cash flow from operations - basic (per share) | A/B | **1.62** | 2.68 | **9.87** | 5.43 |

*Suncor Energy Inc. is an integrated energy company headquartered in Calgary, Alberta. Suncor's oil sands business, located near Fort McMurray, Alberta, extracts and upgrades oil sands and markets refinery feedstock and diesel fuel, while operations throughout Western Canada produce natural gas. Suncor operates a refining and marketing business in Ontario with retail distribution under the Sunoco brand. U.S.A. downstream assets include refining operations in Colorado and retail sales in the Denver area under the Phillips 66 brand. Suncor's common shares (symbol: SU) are listed on the Toronto and New York stock exchanges.*

*Suncor Energy (U.S.A.) Inc. is an authorized licensee of the Phillips 66 brand and marks in the state of Colorado. Sunoco in Canada is separate and unrelated to Sunoco in the United States, which is owned by Sunoco, Inc. of Philadelphia.*

*This document contains forward-looking statements that address goals, expectations or projections about the future. These statements are based on Suncor's current goals, expectations, estimates, projections and assumptions, as well as its current budgets and plans for capital expenditures. Some of the forward-looking statements may be identified by words like "planned", outlook", "target", "expect", "intends", "will consider", "could", "may", "slated", "scheduled" and similar expressions. These statements are not guarantees of future performance. Actual results could differ materially, as a result of factors, risks and uncertainties, known and unknown, to which Suncor's business is subject. These could include: changes in general economic, market and business conditions; potential labour and material supply issues; fluctuations in supply and demand for Suncor's products; fluctuations in commodity prices and currency exchange rates; the impact of stakeholder consultation; the regulatory process; technical issues; environmental issues; technological capabilities; new legislation; the occurrence of unexpected events; Suncor's capability to execute and implement its future plans; and changes in current plans. Further discussion of the risks, uncertainties and other factors that could affect these plans, and any actual results, is included in Suncor's annual report to shareholders, Annual Information Form/Form 40-F and other documents filed with regulatory authorities. Suncor disclaims any intentions or obligations to update or reuse any forward-looking statements whether as a result of new information, future events or otherwise.*

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## Suncor Energy Inc.
### Consolidated Statements of Earnings
(unaudited)

| ($ millions) | Fourth Quarter | | Years ended Dec 31 | |
|---|---|---|---|---|
| | **2006** | 2005 (restated) (note 2) | **2006** | 2005 (restated) (note 2) |
| **REVENUES** | **3 787** | 3 521 | **15 829** | 11 129 |
| **EXPENSES** | | | | |
| Purchases of crude oil and products | **1 067** | 1 018 | **4 723** | 4 184 |
| Operating, selling and general (notes 2 and 6) | **916** | 735 | **2 998** | 2 417 |
| Energy marketing and trading activities (note 3) | **498** | 191 | **1 541** | 789 |
| Transportation and other costs | **60** | 50 | **212** | 152 |
| Depreciation, depletion and amortization (note 2) | **191** | 149 | **695** | 568 |
| Accretion of asset retirement obligations | **8** | 7 | **34** | 30 |
| Exploration | **24** | 8 | **104** | 56 |
| Royalties (note 10) | **267** | 145 | **1 038** | 555 |
| Taxes other than income taxes | **157** | 123 | **595** | 529 |
| Loss (gain) on disposal of assets | **4** | (12) | **( 1)** | (13) |
| Project start-up costs | **6** | 12 | **45** | 25 |
| Financing expenses (income) (note 4) | **52** | 15 | **39** | (15) |
| | **3 250** | 2 441 | **12 023** | 9 277 |
| **EARNINGS BEFORE INCOME TAXES** | **537** | 1 080 | **3 806** | 1 852 |
| **PROVISION FOR INCOME TAXES** (notes 2 and 9) | | | | |
| Current | **31** | 2 | **20** | 39 |
| Future | **148** | 385 | **815** | 655 |
| | **179** | 387 | **835** | 694 |
| **NET EARNINGS** | **358** | 693 | **2 971** | 1 158 |
| **PER COMMON SHARE** (dollars), (note 5) | | | | |
| - Basic | **0.78** | 1.52 | **6.47** | 2.54 |
| - Diluted | **0.76** | 1.48 | **6.32** | 2.48 |
| Cash dividends | **0.08** | 0.06 | **0.30** | 0.24 |

See accompanying notes.

## Suncor Energy Inc.
### Consolidated Balance Sheets
(unaudited)

| ($ millions) | December 31 2006 | December 31 2005 (restated) (note 2) |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | **521** | 165 |
| Accounts receivable | **1 050** | 1 139 |
| Inventories | **589** | 523 |
| Income taxes receivable | **33** | 6 |
| Future income taxes | **109** | 83 |
| Total current assets | **2 302** | 1 916 |
| Property, plant and equipment, net | **16 189** | 12 966 |
| Deferred charges and other (note 2) | **290** | 267 |
| Total assets | **18 781** | 15 149 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities | | |
| Short-term debt | **7** | 49 |
| Accounts payable and accrued liabilities (note 10) | **2 111** | 1 830 |
| Taxes other than income taxes | **40** | 56 |
| Total current liabilities | **2 158** | 1 935 |
| Long-term debt (note 11) | **2 385** | 3 007 |
| Accrued liabilities and other | **1 214** | 1 005 |
| Future income taxes (notes 2 and 9) | **4 072** | 3 206 |
| Shareholders' equity (see below) | **8 952** | 5 996 |
| Total liabilities and shareholders' equity | **18 781** | 15 149 |

| **SHAREHOLDERS' EQUITY** | **Number (thousands)** | | Number (thousands) | |
|---|---|---|---|---|
| Share capital | **459 944** | **794** | 457 665 | 732 |
| Contributed surplus | | **100** | | 50 |
| Cumulative foreign currency translation | | **( 71)** | | (81) |
| Retained earnings (note 2) | | **8 129** | | 5 295 |
| | | **8 952** | | 5 996 |

See accompanying notes.

**Suncor Energy Inc.**

**Consolidated Statements of Cash Flows**

(unaudited)

| | Fourth Quarter | | Years ended Dec 31 | |
|---|---|---|---|---|
| ($ millions) | **2006** | 2005 (restated) (note 2) | **2006** | 2005 (restated) (note 2) |
| **OPERATING ACTIVITIES** | | | | |
| Cash flow from operations | **746** | 1 226 | **4 533** | 2 476 |
| Decrease (increase) in operating working capital | | | | |
| Accounts receivable | **153** | 127 | **53** | (477) |
| Inventories | **59** | (67) | **( 66)** | (63) |
| Accounts payable and accrued liabilities | **234** | (34) | **87** | 435 |
| Taxes payable | **( 28)** | 24 | **( 43)** | (23) |
| Cash flow from operating activities | **1 164** | 1 276 | **4 564** | 2 348 |
| **CASH USED IN INVESTING ACTIVITIES** | **(1 169)** | (897) | **(3 489)** | (3 113) |
| **NET CASH SURPLUS (DEFICIENCY) BEFORE FINANCING ACTIVITIES** | **( 5)** | 379 | **1 075** | (765) |
| **FINANCING ACTIVITIES** | | | | |
| Increase (decrease) in short-term debt | **( 1)** | 45 | **( 42)** | 19 |
| Net increase (decrease) in other long-term debt | **264** | (333) | **( 622)** | 808 |
| Issuance of common shares under stock option plan | **5** | 7 | **45** | 69 |
| Dividends paid on common shares | **( 35)** | (25) | **( 127)** | (102) |
| Deferred revenue | **-** | 9 | **27** | 50 |
| Cash provided by (used in) financing activities | **233** | (297) | **( 719)** | 844 |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **228** | 82 | **356** | 79 |
| **EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS** | **3** | (2) | **-** | (2) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | **290** | 85 | **165** | 88 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **521** | 165 | **521** | 165 |

See accompanying notes.

## Suncor Energy Inc.

### Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

| ($ millions) | Share Capital | Contributed Surplus | Cumulative Foreign Currency Translation | Retained Earnings |
|---|---|---|---|---|
| **At December 31, 2004, as previously reported** | 651 | 32 | (55) | 4 293 |
| Retroactive adjustment for change in accounting policy, net of tax (note 2) | - | - | **-** | (47) |
| **At December 31, 2004, as restated** | 651 | 32 | (55) | 4 246 |
| Net earnings | **-** | **-** | - | 1 158 |
| Dividends paid on common shares | **-** | **-** | - | (102) |
| Issued for cash under stock option plan | 74 | ( 5) | - | - |
| Issued under dividend reinvestment plan | 7 | - | - | (7) |
| Stock-based compensation expense | - | 23 | - | - |
| Foreign currency translation adjustment | **-** | **-** | (26) | - |
| **At December 31, 2005, as restated** | 732 | 50 | ( 81) | 5 295 |
| Net earnings | **-** | **-** | **-** | **2 971** |
| Dividends paid on common shares | **-** | **-** | **-** | **(127)** |
| Issued for cash under stock option plan | **52** | **(7)** | **-** | **-** |
| Issued under dividend reinvestment plan | **10** | **-** | **-** | **(10)** |
| Stock-based compensation expense | **-** | **53** | **-** | **-** |
| Foreign currency translation adjustment | **-** | **-** | **10** | **-** |
| Income tax benefit of stock option deductions in the U.S. | **-** | **4** | **-** | **-** |
| **At December 31, 2006** | **794** | **100** | **(71)** | **8 129** |

See accompanying notes.

**Suncor Energy Inc.**

**Schedules of Segmented Data**

(unaudited)

Fourth Quarter

| | Oil Sands | | Natural Gas | | Energy Marketing and Refining - Canada | | Refining and Marketing - U.S.A. | | Corporate and Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ($ millions) | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 |
| **EARNINGS** | | | | | | | | | | | | |
| **Revenues** | | | | | | | | | | | | |
| Operating revenues | **1 494** | 1 302 | **134** | 221 | **896** | 902 | **698** | 709 | **-** | 2 | **3 222** | 3 136 |
| Energy marketing and trading activities | **-** | - | **-** | - | **510** | 199 | **-** | - | **-** | - | **510** | 199 |
| Net insurance proceeds | **51** | 185 | **-** | - | **-** | - | **-** | - | **-** | - | **51** | 185 |
| Intersegment revenues | **131** | 139 | **-** | 10 | **-** | - | **-** | - | **(131)** | (149) | **-** | - |
| Interest | **-** | - | **-** | - | **-** | - | **2** | 1 | **2** | - | **4** | 1 |
| | **1 676** | 1 626 | **134** | 231 | **1 406** | 1 101 | **700** | 710 | **(129)** | ( 147) | **3 787** | 3 521 |
| **Expenses** | | | | | | | | | | | | |
| Purchases of crude oil and products | **1** | 3 | **-** | - | **670** | 626 | **537** | 535 | **(141)** | (146) | **1 067** | 1 018 |
| Operating, selling and general | **675** | 466 | **27** | 24 | **117** | 145 | **42** | 48 | **55** | 52 | **916** | 735 |
| Energy marketing and trading activities | **-** | - | **-** | - | **500** | 194 | **-** | - | **(2)** | (3) | **498** | 191 |
| Transportation and other costs | **48** | 36 | **8** | 6 | **1** | 2 | **3** | 6 | **-** | - | **60** | 50 |
| Depreciation, depletion and amortization | **104** | 89 | **42** | 33 | **25** | 19 | **13** | 5 | **7** | 3 | **191** | 149 |
| Accretion of asset retirement obligations | **7** | 6 | **1** | 1 | **-** | - | **-** | - | **-** | - | **8** | 7 |
| Exploration | **-** | - | **24** | 8 | **-** | - | **-** | - | **-** | - | **24** | 8 |
| Royalties (note 10) | **229** | 89 | **38** | 56 | **-** | - | **-** | - | **-** | - | **267** | 145 |
| Taxes other than income taxes | **17** | 17 | **-** | 1 | **103** | 80 | **37** | 25 | **-** | - | **157** | 123 |
| Loss (gain) on disposal of assets | **-** | - | **1** | (12) | **3** | - | **-** | - | **-** | - | **4** | (12) |
| Project start-up costs | **6** | 12 | **-** | - | **-** | - | **-** | - | **-** | - | **6** | 12 |
| Financing expenses | **-** | - | **-** | - | **-** | - | **-** | - | **52** | 15 | **52** | 15 |
| | **1 087** | 718 | **141** | 117 | **1 419** | 1 066 | **632** | 619 | **(29)** | ( 79) | **3 250** | 2 441 |
| **Earnings (loss) before income taxes** | **589** | 908 | **(7)** | 114 | **(13)** | 35 | **68** | 91 | **(100)** | ( 68) | **537** | 1 080 |
| Income taxes | **( 177)** | ( 325) | **2** | ( 36) | **1** | ( 13) | **( 25)** | ( 36) | **20** | 23 | **(179)** | ( 387) |
| **Net earnings (loss)** | **412** | 583 | **(5)** | 78 | **(12)** | 22 | **43** | 55 | **(80)** | ( 45) | **358** | 693 |

**Suncor Energy Inc.**
**Schedules of Segmented Data** (continued)
(unaudited)

Fourth Quarter

| | Oil Sands | | Natural Gas | | Energy Marketing and Refining - Canada | | Refining and Marketing - U.S.A. | | Corporate and Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ($ millions) | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 |
| **CASH FLOW BEFORE FINANCING ACTIVITIES** | | | | | | | | | | | | |
| **Cash flow from (used in) operating activities:** | | | | | | | | | | | | |
| Cash flow from (used in) operations | | | | | | | | | | | | |
| Net earnings (loss) | **412** | 583 | **(5)** | 78 | **(12)** | 22 | **43** | 55 | **(80)** | (45) | **358** | 693 |
| Exploration expenses | **-** | - | **12** | 8 | **-** | - | **-** | - | **-** | - | **12** | 8 |
| Non-cash items included in earnings | | | | | | | | | | | | |
| Depreciation, depletion and amortization | **104** | 89 | **42** | 33 | **25** | 19 | **13** | 5 | **7** | 3 | **191** | 149 |
| Income taxes | **177** | 325 | **(2)** | 36 | **(1)** | 13 | **25** | 36 | **(51)** | (25) | **148** | 385 |
| Loss (gain) on disposal of assets | **-** | - | **1** | (12) | **3** | - | **-** | - | **-** | - | **4** | (12) |
| Stock-based compensation expense | **-** | - | **-** | - | **-** | - | **-** | - | **22** | 7 | **22** | 7 |
| Other | **(20)** | (14) | **-** | 1 | **(1)** | 6 | **(14)** | (1) | **51** | (6) | **16** | (14) |
| Increase (decrease) in deferred credits and other | **(5)** | (4) | **-** | - | **(1)** | - | **-** | - | **1** | 14 | **(5)** | 10 |
| Total cash flow from (used in) operations | **668** | 979 | **48** | 144 | **13** | 60 | **67** | 95 | **(50)** | (52) | **746** | 1 226 |
| Decrease (increase) in operating working capital | **721** | (69) | **(21)** | 36 | **(22)** | (18) | **(35)** | (28) | **(225)** | 129 | **418** | 50 |
| Total cash flow from (used in) operating activities | **1 389** | 910 | **27** | 180 | **(9)** | 42 | **32** | 67 | **(275)** | 77 | **1 164** | 1 276 |
| **Cash from (used in) investing activities:** | | | | | | | | | | | | |
| Capital and exploration expenditures | **(916)** | (505) | **(117)** | (122) | **(164)** | (136) | **-** | (79) | **(4)** | (22) | **(1 201)** | (864) |
| Property loss insurance proceeds | **7** | - | **-** | - | **-** | - | **-** | - | **-** | - | **7** | - |
| Deferred maintenance shutdown expenditures | **-** | (1) | **-** | 1 | **(24)** | - | **-** | (6) | **-** | - | **(24)** | (6) |
| Deferred outlays and other investments | **-** | - | **-** | - | **-** | 4 | **-** | 1 | **3** | (7) | **3** | (2) |
| Proceeds from disposals | **1** | 20 | **2** | 19 | **1** | 1 | **-** | - | **-** | - | **4** | 40 |
| Decrease (Increase) in investing working capital | **43** | (44) | **-** | - | **(1)** | (15) | **-** | (6) | **-** | - | **42** | (65) |
| Total cash (used in) investing activities | **(865)** | (530) | **(115)** | (102) | **(188)** | (146) | **-** | (90) | **(1)** | (29) | **(1 169)** | (897) |
| **Net cash surplus (deficiency) before financing activities** | **524** | 380 | **(88)** | 78 | **(197)** | (104) | **32** | (23) | **(276)** | 48 | **(5)** | 379 |

**Suncor Energy Inc.**

**Schedules of Segmented Data**

(unaudited)

Years ended December 31

| | Oil Sands | | Natural Gas | | Energy Marketing and Refining - Canada | | Refining and Marketing - U.S.A. | | Corporate and Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ($ millions) | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 |
| **EARNINGS** | | | | | | | | | | | | |
| **Revenues** | | | | | | | | | | | | |
| Operating revenues | **6 259** | 2 938 | **554** | 632 | **3 858** | 3 536 | **3 123** | 2 619 | **4** | 3 | **13 798** | 9 728 |
| Energy marketing and trading activities | **-** | - | **-** | - | **1 607** | 827 | **-** | - | **(25)** | - | **1 582** | 827 |
| Net insurance proceeds | **436** | 572 | **-** | - | **-** | - | **-** | - | **-** | - | **436** | 572 |
| Intersegment revenues | **712** | 455 | **23** | 47 | **-** | - | **-** | - | **(735)** | (502) | **-** | - |
| Interest | **-** | - | **1** | - | **-** | - | **5** | 2 | **7** | - | **13** | 2 |
| | **7 407** | 3 965 | **578** | 679 | **5 465** | 4 363 | **3 128** | 2 621 | **(749)** | ( 499) | **15 829** | 11 129 |
| **Expenses** | | | | | | | | | | | | |
| Purchases of crude oil and products | **89** | 32 | **-** | - | **2 876** | 2 585 | **2 477** | 2 048 | **( 719)** | ( 481) | **4 723** | 4 184 |
| Operating, selling and general | **2 149** | 1 432 | **107** | 93 | **432** | 484 | **170** | 167 | **140** | 241 | **2 998** | 2 417 |
| Energy marketing and trading activities | **-** | - | **-** | - | **1 572** | 810 | **-** | - | **(31)** | (21) | **1 541** | 789 |
| Transportation and other costs | **162** | 104 | **25** | 22 | **6** | 6 | **19** | 20 | **-** | - | **212** | 152 |
| Depreciation, depletion and amortization | **385** | 330 | **152** | 130 | **94** | 73 | **38** | 23 | **26** | 12 | **695** | 568 |
| Accretion of asset retirement obligations | **28** | 24 | **5** | 5 | **1** | 1 | **-** | - | **-** | - | **34** | 30 |
| Exploration | **22** | 10 | **82** | 46 | **-** | - | **-** | - | **-** | - | **104** | 56 |
| Royalties (note 10) | **911** | 406 | **127** | 149 | **-** | - | **-** | - | **-** | - | **1 038** | 555 |
| Taxes other than income taxes | **75** | 51 | **3** | 3 | **359** | 338 | **157** | 137 | **1** | - | **595** | 529 |
| Loss (gain) on disposal of assets | **-** | - | **(4)** | (12) | **3** | (1) | **-** | - | **-** | - | **(1)** | (13) |
| Project start-up costs | **38** | 25 | **-** | - | **2** | - | **5** | - | **-** | - | **45** | 25 |
| Financing expenses (income) | **-** | - | **-** | - | **-** | - | **-** | - | **39** | (15) | **39** | (15) |
| | **3 859** | 2 414 | **497** | 436 | **5 345** | 4 296 | **2 866** | 2 395 | **(544)** | ( 264) | **12 023** | 9 277 |
| **Earnings (loss) before income taxes** | **3 548** | 1 551 | **81** | 243 | **120** | 67 | **262** | 226 | **(205)** | (235) | **3 806** | 1 852 |
| Income taxes | **(724)** | (575) | **28** | (88) | **(34)** | (26) | **(94)** | (84) | **(11)** | 79 | **(835)** | (694) |
| **Net earnings (loss)** | **2 824** | 976 | **109** | 155 | **86** | 41 | **168** | 142 | **(216)** | ( 156) | **2 971** | 1 158 |
| As at December 31 | | | | | | | | | | | | |
| **TOTAL ASSETS** | **13 692** | 11 648 | **1 503** | 1 307 | **2 829** | 1 955 | **1 379** | 1 235 | **( 622)** | ( 996) | **18 781** | 15 149 |

**Suncor Energy Inc.**
**Schedules of Segmented Data** (continued)
(unaudited)

Years ended December 31

| | Oil Sands | | Natural Gas | | Energy Marketing and Refining - Canada | | Refining and Marketing - U.S.A. | | Corporate and Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ($ millions) | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 |
| **CASH FLOW BEFORE FINANCING ACTIVITIES** | | | | | | | | | | | | |
| **Cash flow from (used in) operating activities:** | | | | | | | | | | | | |
| Cash flow from (used in) operations | | | | | | | | | | | | |
| Net earnings (loss) | **2 824** | 976 | **109** | 155 | **86** | 41 | **168** | 142 | **(216)** | (156) | **2 971** | 1 158 |
| Exploration expenses | **-** | - | **52** | 46 | **-** | - | **-** | - | **-** | - | **52** | 46 |
| Non-cash items included in earnings | | | | | | | | | | | | |
| Depreciation, depletion and amortization | **385** | 330 | **152** | 130 | **94** | 73 | **38** | 23 | **26** | 12 | **695** | 568 |
| Income taxes | **724** | 575 | **(28)** | 88 | **34** | 26 | **94** | 84 | **(9)** | (118) | **815** | 655 |
| Loss (gain) on disposal of assets | **-** | - | **(4)** | (12) | **3** | (1) | **-** | - | **-** | - | **(1)** | (13) |
| Stock-based compensation expense | **-** | - | **-** | - | **-** | - | **-** | - | **53** | 23 | **53** | 23 |
| Other | **(10)** | 11 | **-** | 5 | **-** | 13 | **(16)** | (2) | **12** | (60) | **(14)** | (33) |
| Increase (decrease) in deferred credits and other | **(21)** | (14) | **-** | - | **-** | - | **(3)** | - | **(14)** | 86 | **(38)** | 72 |
| Total cash flow from (used in) operations | **3 902** | 1 878 | **281** | 412 | **217** | 152 | **281** | 247 | **(148)** | ( 213) | **4 533** | 2 476 |
| Decrease (increase) in operating working capital | **426** | (270) | **(27)** | (5) | **(87)** | (47) | **(15)** | 17 | **(266)** | 177 | **31** | (128) |
| Total cash flow from (used in) operating activities | **4 328** | 1 608 | **254** | 407 | **130** | 105 | **266** | 264 | **(414)** | ( 36) | **4 564** | 2 348 |
| **Cash from (used in) investing activities:** | | | | | | | | | | | | |
| Capital and exploration expenditures | **(2 463)** | (1 948) | **( 458)** | ( 363) | **( 487)** | ( 442) | **( 178)** | ( 337) | **( 27)** | ( 63) | **(3 613)** | (3 153) |
| Acquisition of Denver refinery and related assets | **-** | - | **-** | - | **-** | - | **-** | (62) | **-** | - | **-** | (62) |
| Property loss insurance proceeds | **36** | 44 | **-** | - | **-** | - | **-** | - | **-** | - | **36** | 44 |
| Deferred maintenance shutdown expenditures | **-** | (65) | **-** | (2) | **(29)** | - | **(51)** | (10) | **-** | - | **(80)** | (77) |
| Deferred outlays and other investments | **(2)** | (1) | **-** | - | **1** | 3 | **6** | 1 | **(2)** | (6) | **3** | (3) |
| Proceeds from disposals | **2** | 41 | **15** | 21 | **4** | 3 | **-** | - | **-** | - | **21** | 65 |
| Decrease (Increase) in investing working capital | **197** | 47 | **-** | - | **(1)** | 3 | **(52)** | 23 | **-** | - | **144** | 73 |
| Total cash (used in) investing activities | **(2 230)** | (1 882) | **(443)** | (344) | **(512)** | (433) | **(275)** | (385) | **(29)** | (69) | **(3 489)** | (3 113) |
| **Net cash surplus (deficiency) before financing activities** | **2 098** | (274) | **(189)** | 63 | **(382)** | (328) | **(9)** | (121) | **(443)** | (105) | **1 075** | (765) |

## Suncor Energy Inc.

### Highlights

(unaudited)

| | 2006 | 2005 |
|---|---|---|
| **CASH FLOW FROM OPERATIONS** | | |
| For the quarters ended December 31 | | |
| Cash flow from operations (1), (dollars per common share - basic) | **1.62** | 2.68 |
| For the years ended December 31 | | |
| Cash flow from operations (1), (dollars per common share - basic) | **9.87** | 5.43 |
| **RATIOS** | | |
| For the years ended December 31 | | |
| Return on capital employed (%) (2) | **40.6** | 19.7 |
| Return on capital employed (%) (3) | **30.4** | 14.3 |
| Net debt to cash flow from operations (times) (4) | **0.4** | 1.2 |
| Interest coverage on long-term debt (times) | | |
| Net earnings (5) | **25.5** | 12.5 |
| Cash flow from operations (6) | **30.5** | 16.9 |
| As at December 31 | | |
| Debt to debt plus shareholders' equity (%) (7) | **21.1** | 33.8 |
| **COMMON SHARE INFORMATION** | | |
| As at December 31 | | |
| Share price at end of trading | | |
| Toronto Stock Exchange - Cdn$ | **91.79** | 73.32 |
| New York Stock Exchange - US$ | **78.91** | 63.13 |
| Common share options outstanding (thousands) | **19 810** | 19 202 |
| For the years ended December 31 | | |
| Average number outstanding, weighted monthly (thousands) | **459 069** | 456 312 |

*Refer to the Quarterly Operating Summary for a discussion of financial measures not prepared in accordance with Canadian generally accepted accounting principles (GAAP).*

(1) Cash flow from operations for the period; divided by the weighted average number of common shares outstanding during the period.

(2) Net earnings adjusted for after-tax financing expenses (2006 - $26 million; 2005 - income of $16 million) for the twelve month period ended (2006 - $2,997 million; 2005 - $1,142 million); divided by average capital employed (2006 - $7,379 million; 2005 - $5,786 million). Average capital employed is the sum of shareholders' equity and short-term debt plus long-term debt less cash and cash equivalents, at the beginning and end of the year, divided by two, less average capitalized costs related to major projects in progress (as applicable). Return on capital employed (ROCE) for Suncor operating segments as presented in the Quarterly Operating Summary is calculated in a manner consistent with consolidated ROCE. For a detailed reconciliation of ROCE prepared on an annual basis, see page 56 of Suncor's 2005 Annual Report to Shareholders.

(3) If capital employed were to include capitalized costs related to major projects in progress (average capital employed including major projects in progress: 2006 -$9,856 million; 2005 - $7,961 million), the return on capital employed would be as stated on this line.

(4) Short-term debt plus long-term debt less cash and cash equivalents, divided by cash flow from operations for the twelve month period then ended.

(5) Net earnings plus income taxes and interest expense, divided by the sum of interest expense and capitalized interest.

(6) Cash flow from operations plus current income taxes and interest expense; divided by the sum of interest expense and capitalized interest.

(7) Short-term debt plus long-term debt; divided by the sum of short-term debt, long-term debt and shareholders' equity.

## Suncor Energy Inc.

### Quarterly Operating Summary

(unaudited)

| | For the quarter ended | | | | | Years ended | |
|---|---|---|---|---|---|---|---|
| | **Dec 31 2006** | Sept 30 2006 | June 30 2006 | Mar 31 2006 | Dec 31 2005 | **Dec 31 2006** | Dec 31 2005 |
| **OIL SANDS** | | | | | | | |
| **Production** (1), (a) | | | | | | | |
| Total production | **266.4** | 242.8 | 267.3 | 264.4 | 267.7 | **260.0** | 171.3 |
| Firebag | **35.1** | 37.2 | 35.0 | 27.4 | 26.0 | **33.7** | 19.1 |
| **Sales** (a) | | | | | | | |
| Light sweet crude oil | **113.7** | 84.9 | 124.7 | 119.2 | 108.6 | **110.5** | 73.3 |
| Diesel | **24.0** | 20.7 | 32.9 | 35.1 | 30.7 | **28.2** | 15.6 |
| Light sour crude oil | **126.8** | 125.8 | 99.2 | 121.0 | 104.2 | **118.2** | 59.8 |
| Bitumen | **9.7** | 6.6 | 8.5 | - | 7.2 | **6.2** | 16.6 |
| **Total sales** | **274.2** | 238.0 | 265.3 | 275.3 | 250.7 | **263.1** | 165.3 |
| **Average sales price** (2), (b) | | | | | | | |
| Light sweet crude oil | **64.51** | 78.11 | 78.27 | 69.00 | 55.96 | **71.98** | 49.93 |
| Other (diesel, light sour crude oil and bitumen) | **57.91** | 68.60 | 72.75 | 63.28 | 63.84 | **65.17** | 56.90 |
| Total | **60.65** | 71.99 | 75.34 | 65.75 | 60.42 | **68.03** | 53.81 |
| Total * | **60.65** | 71.99 | 75.34 | 65.75 | 66.68 | **68.03** | 62.68 |
| **Cash operating costs and Total operating costs - Total operations** | | | | | | | |
| Cash costs | **22.65** | 21.00 | 15.65 | 15.55 | 16.20 | **18.70** | 19.60 |
| Natural gas | **3.00** | 2.60 | 2.55 | 3.45 | 4.65 | **2.90** | 4.90 |
| Imported bitumen | **-** | 0.10 | 0.10 | 0.05 | 0.05 | **0.10** | 0.05 |
| **Cash operating costs** (3),(c) | **25.65** | 23.70 | 18.30 | 19.05 | 20.90 | **21.70** | 24.55 |
| Firebag start-up costs | **-** | - | - | 0.90 | 0.30 | **0.20** | 0.10 |
| **Total cash operating costs** (4),(c) | **25.65** | 23.70 | 18.30 | 19.95 | 21.20 | **21.90** | 24.65 |
| Depreciation, depletion and amortization | **4.25** | 4.30 | 3.80 | 3.90 | 3.60 | **4.05** | 5.30 |
| **Total operating costs** (5),(c) | **29.90** | 28.00 | 22.10 | 23.85 | 24.80 | **25.95** | 29.95 |
| **Cash operating costs and Total operating costs - In-situ bitumen production only** | | | | | | | |
| Cash costs | **8.05** | 5.55 | 8.50 | 5.70 | 6.70 | **8.95** | 9.15 |
| Natural gas | **9.90** | 7.60 | 8.15 | 7.70 | 13.80 | **8.35** | 13.05 |
| **Cash operating costs** (6),(c) | **17.95** | 13.15 | 16.65 | 13.40 | 20.50 | **17.30** | 22.20 |
| Firebag start-up costs | **-** | - | - | 8.50 | 2.90 | **1.70** | 1.00 |
| **Total cash operating costs** (7),(c) | **17.95** | 13.15 | 16.65 | 21.90 | 23.40 | **19.00** | 23.20 |
| Depreciation, depletion and amortization | **6.20** | 5.55 | 3.75 | 6.90 | 4.60 | **5.55** | 4.90 |
| **Total operating costs** (8),(c) | **24.15** | 18.70 | 20.40 | 28.80 | 28.00 | **24.55** | 28.10 |
| (for the period ended) | | | | | | | |
| **Capital employed** (h) | **5 092** | 5 550 | 5 544 | 5 450 | 4 472 | | |
| (for the twelve months ended) | | | | | | | |
| **Return on capital employed** (i) | **53.7** | 57.7 | 53.8 | 35.5 | 22.7 | | |
| **Return on capital employed** (i) **** | **40.4** | 43.7 | 40.5 | 26.3 | 16.3 | | |

## Suncor Energy Inc.

**Quarterly Operating Summary** (continued)

(unaudited)

| | For the quarter ended | | | | | Years ended | |
|---|---|---|---|---|---|---|---|
| | **Dec 31 2006** | Sept 30 2006 | June 30 2006 | Mar 31 2006 | Dec 31 2005 | **Dec 31 2006** | Dec 31 2005 |
| **NATURAL GAS** | | | | | | | |
| **Gross production **** | | | | | | | |
| Natural gas (d) | **192** | 191 | 189 | 196 | 193 | **191** | 190 |
| Natural gas liquids (a) | **2.1** | 2.1 | 2.6 | 2.4 | 2.3 | **2.3** | 2.4 |
| Crude oil (a) | **0.5** | 0.7 | 0.9 | 0.8 | 0.6 | **0.7** | 0.8 |
| Total gross production (e) | **34.7** | 34.6 | 35.1 | 35.9 | 35.0 | **34.8** | 34.8 |
| **Average sales price** (2) | | | | | | | |
| Natural gas (f) | **6.55** | 6.33 | 6.38 | 9.03 | 11.66 | **7.15** | 8.57 |
| Natural gas (f) * | **6.40** | 6.13 | 6.22 | 8.75 | 11.83 | **6.95** | 8.59 |
| Natural gas liquids (b) | **44.20** | 53.11 | 60.14 | 51.75 | 57.85 | **44.96** | 50.70 |
| Crude oil - conventional(b) | **51.20** | 84.95 | 74.18 | 60.30 | 72.60 | **74.83** | 64.85 |
| **Net wells drilled** | | | | | | | |
| Conventional - exploratory *** | **4** | 1 | 1 | 5 | 3 | **11** | 12 |
| - development | **6** | 6 | 2 | 4 | 13 | **18** | 22 |
| | **10** | 7 | 3 | 9 | 16 | **29** | 34 |
| (for the period ended) | | | | | | | |
| **Capital employed** (h) | **861** | 778 | 770 | 590 | 563 | | |
| (for the twelve months ended) | | | | | | | |
| **Return on capital employed** (i) | **15.3** | 27.9 | 30.6 | 31.7 | 30.7 | | |
| **ENERGY MARKETING AND REFINING--CANADA** | | | | | | | |
| **Refined product sales** (g) | | | | | | | |
| Transportation fuels | | | | | | | |
| Gasoline - retail | **4.8** | 4.6 | 4.6 | 4.4 | 4.5 | **4.6** | 4.5 |
| - other | **4.1** | 3.8 | 3.9 | 3.6 | 3.3 | **3.8** | 3.9 |
| Jet fuel | **0.6** | 0.7 | 0.8 | 0.7 | 0.8 | **0.7** | 0.9 |
| Diesel | **3.3** | 3.0 | 3.5 | 3.2 | 3.4 | **3.2** | 3.3 |
| Total transportation fuel sales | **12.8** | 12.1 | 12.8 | 11.9 | 12.0 | **12.3** | 12.6 |
| Petrochemicals | **0.4** | 1.0 | 0.9 | 1.2 | 0.4 | **0.9** | 0.7 |
| Heating oils | **0.5** | 0.4 | 0.4 | 0.6 | 0.5 | **0.5** | 0.4 |
| Heavy fuel oils | **0.8** | 0.9 | 0.7 | 0.9 | 0.9 | **0.8** | 1.0 |
| Other | **0.4** | 0.8 | 0.6 | 0.7 | 0.5 | **0.6** | 0.5 |
| **Total refined product sales** | **14.9** | 15.2 | 15.4 | 15.3 | 14.3 | **15.1** | 15.2 |
| **Crude oil supply and refining** | | | | | | | |
| Processed at Sarnia refinery (g) | **5.7** | 9.4 | 9.9 | 9.6 | 10.6 | **8.6** | 10.6 |
| Utilization of refining capacity (j) | **51** | 85 | 89 | 86 | 95 | **78** | 95 |
| (for the period ended) | | | | | | | |
| **Capital employed** (h) | **1 023** | 847 | 490 | 535 | 486 | | |
| (for the twelve months ended) | | | | | | | |
| **Return on capital employed** (i) | **12.5** | 21.0 | 23.9 | 11.5 | 8.1 | | |
| **Return on capital employed** (i) **** | **7.4** | 11.4 | 12.4 | 6.8 | 5.2 | | |

## Suncor Energy Inc.

**Quarterly Operating Summary** (continued)

(unaudited)

| | For the quarter ended | | | | | Years ended | |
|---|---|---|---|---|---|---|---|
| | **Dec 31 2006** | Sept 30 2006 | June 30 2006 | Mar 31 2006 | Dec 31 2005 | **Dec 31 2006** | Dec 31 2005 |
| **REFINING AND MARKETING--U.S.A.** | | | | | | | |
| **Refined product sales** (g) | | | | | | | |
| Transportation fuels | | | | | | | |
| Gasoline - retail | **0.7** | 0.7 | 0.7 | 0.7 | 0.7 | **0.7** | 0.7 |
| - other | **6.9** | 7.6 | 8.0 | 5.3 | 7.1 | **6.8** | 6.2 |
| Jet fuel | **1.2** | 1.0 | 0.9 | 0.8 | 0.9 | **1.0** | 0.8 |
| Diesel | **3.7** | 3.8 | 3.8 | 3.2 | 3.6 | **3.6** | 3.3 |
| Total transportation fuel sales | **12.5** | 13.1 | 13.4 | 10.0 | 12.3 | **12.1** | 11.0 |
| Asphalt | **0.8** | 1.6 | 1.3 | 1.0 | 1.2 | **1.2** | 1.6 |
| Other | **0.9** | 1.5 | 1.5 | 0.3 | 1.0 | **1.1** | 1.1 |
| **Total refined product sales** | **14.2** | 16.2 | 16.2 | 11.3 | 14.5 | **14.4** | 13.7 |
| | | | | | | | |
| **Crude oil supply and refining** | | | | | | | |
| Processed at Denver refinery (g) | **13.7** | 14.8 | 14.6 | 9.2 | 13.0 | **13.1** | 12.1 |
| Utilization of refining capacity (i) | **96** | 104 | 102 | 65 | 91 | **92** | 98 |
| | | | | | | | |
| (for the period ended) | | | | | | | |
| **Capital employed** (h) | **831** | 810 | 340 | 341 | 327 | | |
| (for the twelve months ended) | | | | | | | |
| **Return on capital employed** (i) | **34.2** | 44.4 | 45.7 | 42.2 | 49.4 | | |
| | | | | | | | |
| **Return on capital employed** (i) **** | **22.6** | 25.4 | 23.1 | 22.7 | 28.9 | | |

## Suncor Energy Inc.
## Quarterly Operating Summary (continued)

**Non GAAP Financial Measures**

Certain financial measures referred to in the Highlights and Quarterly Operating Summary are not prescribed by Canadian generally accepted accounting principles (GAAP). Suncor includes cash flow from operations, return on capital employed and cash and total operating costs per barrel data because investors may use this information to analyze operating performance, leverage and liquidity. The additional information should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

**Definitions**

| | |
|---|---|
| (1) Total operations production | Total operations production includes total production from both mining and in-situ operations. |
| (2) Average sales price | This operating statistic is calculated before royalties and net of related transportation costs (including or excluding the impact of hedging activities as noted). |
| (3) Cash operating costs - Total operations | Include cash costs that are defined as operating, selling and general expenses (excluding inventory changes), accretion expense, taxes other than income taxes and the cost of bitumen imported from third parties. Per barrel amounts are based on total production volumes. |
| (4) Total cash operating costs - Total operations | Include cash operating costs - Total operations as defined above and cash start-up costs for in-situ operations. Per barrel amounts are based on total production volumes. |
| (5) Total operating costs - Total operations | Include total cash operating costs - Total operations as defined above and non-cash operating costs. Per barrel amounts are based on total production volumes. |
| (6) Cash operating costs - In-situ bitumen production | Include cash costs that are defined as operating, selling and general expenses (excluding inventory changes), accretion expense and taxes other than income taxes. Per barrel amounts are based on in-situ production volumes only. |
| (7) Total cash operating costs - In-situ bitumen production | Include cash operating costs - In-situ bitumen production as defined above and cash start-up operating costs. Per barrel amounts are based on in-situ production volumes only. |
| (8) Total operating costs - In-situ bitumen production | Include total cash operating costs - In-situ bitumen production as defined above and non-cash operating costs. Per barrel amounts are based on in-situ production volumes only. |

**Explanatory Notes**

* Excludes the impact of hedging activities.
** Currently Natural Gas production is located in the Western Canada Sedimentary Basin.
*** Excludes exploratory wells in progress.
**** If capital employed were to include capitalized costs related to major projects in progress, the return on capital employed would be as stated on this line.

(a) thousands of barrels per day
(b) dollars per barrel
(c) dollars per barrel rounded to the nearest $0.05
(d) millions of cubic feet per day
(e) thousands of barrels of oil equivalent per day
(f) dollars per thousand cubic feet
(g) thousands of cubic metres per day
(h) $ millions
(i) percentage

**Metric conversion**

Crude oil, refined products, etc. $1m^3$ (cubic metre) = approx. 6.29 barrels

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
(unaudited)

## 1. Accounting Policies

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of computation as, and should be read in conjunction with, the most recent annual financial statements, except for the accounting policy changes as described in note 2, Changes in Accounting Policies.

In the opinion of management, these interim consolidated financial statements contain all adjustments of a normal and recurring nature necessary to present fairly Suncor Energy Inc.'s (Suncor) financial position at December 31, 2006 and the results of its operations and cash flows for the three and twelve month periods ended December 31, 2006 and 2005.

Certain prior period comparative figures have been reclassified to conform to the current period presentation.

## 2. Changes in Accounting Policies

### (a) Overburden Removal Costs

On January 1, 2006, the company retroactively adopted EIC 160 "Stripping Costs Incurred in the Production Phase of a Mining Operation". Under the new standard, overburden removal costs should be deferred and amortized only in instances where the activity benefits future periods, otherwise the costs should be charged to earnings in the period incurred. At Suncor, overburden removal precedes mining of the oil sands deposit within the normal operating cycle, and is related to current production. In accordance with the new standard, overburden removal costs are treated as variable production costs and expensed as incurred. Previously overburden removal was deferred and amortized on a life-of-mine approach. The impact of adopting this accounting standard is as follows:

**Change in Consolidated Balance Sheets**

| | As at December 31 | |
|---|---|---|
| ($ millions, (decrease)) | **2006** | 2005 |
| Deferred charges and other | **(230)** | (202) |
| Total assets | **(230)** | (202) |
| Future income tax liabilities | **(77)** | (68) |
| Retained earnings | **(153)** | (134) |
| Total liabilities and shareholders' equity | **(230)** | (202) |

**Change in Consolidated Statements of Earnings**

| | Fourth quarter | | Years ended December 31 | |
|---|---|---|---|---|
| ($ millions, increase/(decrease)) | **2006** | 2005 | **2006** | 2005 |
| Operating, selling and general | **98** | 67 | **337** | 287 |
| Depreciation, depletion and amortization | **(101)** | (64) | **(309)** | (152) |
| Future income taxes | **1** | (2) | **(9)** | (48) |
| Net earnings | **2** | (1) | **(19)** | (87) |
| Per common share – basic (dollars) | **-** | - | **(0.04)** | (0.19) |
| Per common share – diluted (dollars) | **-** | - | **(0.04)** | (0.19) |

**(b) Non-monetary Transactions**

On January 1, 2006, the company prospectively adopted CICA Handbook section 3831 "Non-monetary Transactions". The standard requires all non-monetary transactions to be measured at fair value (if determinable) unless future cash flows are not expected to change significantly as a result of a transaction or the transaction is an exchange of a product held for sale in the ordinary course of business. The company was required to record the effects of an existing contract at Oil Sands that exchanges off-gas produced as a by-product of the upgrading operations for natural gas. An equal amount of revenues for the sale of the off-gas, and purchases of crude oil and products for the purchase of the natural gas are recorded. The amount of the gross-up of revenues and purchases of crude oil and products for the three and twelve month periods ending December 31, 2006 was $22 million and $126 million respectively.

**3. Energy Marketing and Trading Activities**

The company uses physical and financial energy contracts, including swaps, forwards and options to earn trading and marketing revenues. The financial trading activities are accounted for using the mark-to-market method and as such all financial instruments are recorded at fair value at each balance sheet date. The results of these activities are reported as revenue and as energy marketing and trading expenses in the Consolidated Statements of Earnings.

Physical energy marketing contracts involve activities intended to enhance prices and satisfy physical deliveries to customers. For the quarter ended December 31, 2006, these activities resulted in net pretax earnings of $11 million (2005 –net pretax earnings of $5 million). For the year ended December 31, 2006, physical energy marketing contracts resulted in net pretax earnings of $41 million (2005 – net pretax earnings of $15 million).

In addition to the financial derivatives used for hedging activities, the company also enters into various financial energy contracts for trading activities. The following information presents all positions for the financial instruments only. For the quarter ended December 31, 2006, there were no net pretax earnings (2005 – net pretax earnings of $1 million) resulting from the settlement and revaluation of the financial energy contracts. For the year ended December 31, 2006, a net pretax loss of $3 million (2005 – net pretax earnings of $5 million) was recorded.

The above amounts do not include the impact of related general and administrative costs.

The fair value of unsettled (unrealized) energy trading assets and liabilities as at December 31 are as follows:

| ($ millions) | **2006** | 2005 |
|---|---|---|
| Energy trading assets | **16** | 82 |
| Energy trading liabilities | **13** | 70 |
| Net energy trading assets | **3** | 12 |

**Change in Fair Value of Net Assets**

| ($ millions) | **2006** |
|---|---|
| Fair value of contracts outstanding at December 31, 2005 | 12 |
| Fair value of contracts realized during 2006 | **(6)** |
| Fair value of contracts entered into during the period | **2** |
| Changes in values attributable to market price and other market changes | **(5)** |
| Fair value of contracts outstanding at December 31, 2006 | **3** |

The source of the valuations of the above contracts is based on actively quoted prices and/or internal model valuations.

## 4. Financing Expenses (Income)

| | Fourth Quarter | | Years ended December 31 | |
|---|---|---|---|---|
| ($ millions) | **2006** | 2005 | **2006** | 2005 |
| Interest on debt | **38** | 41 | **150** | 151 |
| Capitalized interest | **(35)** | (28) | **(129)** | (119) |
| Net interest expense | **3** | 13 | **21** | 32 |
| Foreign exchange (gain) loss on long-term debt | **51** | 5 | **-** | (37) |
| Other foreign exchange (gain) loss | **(2)** | (3) | **18** | (10) |
| Total financing expenses (income) | **52** | 15 | **39** | (15) |

## 5. Reconciliation of Basic and Diluted Net Earnings Per Common Share

| | Fourth Quarter | | Years ended December 31 | |
|---|---|---|---|---|
| ($ millions) | **2006** | 2005 | **2006** | 2005 |
| Net earnings | **358** | 693 | **2 971** | 1 158 |
| (millions of common shares ) | | | | |
| Weighted-average number of common shares | **460** | 457 | **459** | 456 |
| Options issued under stock-based compensation plans | **11** | 11 | **11** | 10 |
| Weighted-average number of diluted common shares | **471** | 468 | **470** | 466 |
| (dollars per common share) | | | | |
| Basic earnings per share [(a)] | **0.78** | 1.52 | **6.47** | 2.54 |
| Diluted earnings per share [(b)] | **0.76** | 1.48 | **6.32** | 2.48 |

Note: An option will have a dilutive effect under the treasury stock method only when the average market price of the common stock during the period exceeds the exercise price of the option.

(a) Basic earnings per share is net earnings divided by the weighted-average number of common shares.

(b) Diluted earnings per share is the net earnings divided by the weighted-average number of diluted common shares.

## 6. Stock-based Compensation

*A common share option gives the holder the right, but not the obligation, to purchase common shares at a predetermined price over a specified period of time.*

*After the date of grant, employees that hold options must earn the right to exercise them. This is done by the employee fulfilling a time requirement for service to the company, and with respect to certain options, is subject to accelerated vesting should the company meet predetermined performance criterion. Once this right has been earned, these options are considered vested.*

*The predetermined price at which an option can be exercised is equal to or greater than the market price of the common shares on the date the option is granted.*

*A performance vesting share unit is an award entitling employees to receive cash to varying degrees contingent upon Suncor's shareholder return relative to a peer group of companies.*

### (a) Stock option plans

Under the SunShare long-term incentive plan, the company granted 405,000 options to new and existing employees in the fourth quarter of 2006, for a total of 1,637,000 options granted in the year ended December 31, 2006 (262,000 options granted during the fourth quarter of 2005; 1,253,000 options granted in the year ended December 31, 2005).

On April 30, 2008, 50% of the outstanding, unvested SunShare options will vest. The remaining 50% of the outstanding, unvested SunShare options may vest on April 30, 2008 if the final predetermined performance criterion is met. If the performance criteria is not met, the unvested options that have not previously expired or been cancelled, will automatically vest on January 1,

2012. Management believes that it is highly likely the final performance criterion will be met and that all unvested SunShare options at April 30, 2008 will vest. During the fourth quarter of 2006, stock-based compensation expense was adjusted to reflect this assumption.

Under the company's other plans, 6,000 options were granted in the fourth quarter of 2006, for a total of 1,588,000 options granted in the year ended December 31, 2006 (1,000 options granted during the fourth quarter of 2005; 1,419,000 granted in the year ended December 31, 2005).

The fair values of all common share options granted during the period are estimated as at the grant date using the Black-Scholes option-pricing model. The weighted-average fair values of the options granted during the various periods and the weighted-average assumptions used in their determination are as noted below:

| | Fourth Quarter | | Years ended December 31 | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| Quarterly dividend per share | **$0.08** | $0.06 | **$0.08*** | $0.06 |
| Risk-free interest rate | **3.88%** | 3.77% | **4.08%** | 3.69% |
| Expected life | **3 years** | 5 years | **5 years** | 6 years |
| Expected volatility | **29%** | 29% | **29%** | 28% |
| Weighted-average fair value per option | **$22.39** | $20.47 | **$29.17** | $15.42 |

* In 2006, a quarterly dividend of $0.06 per share was paid in the first quarter, and quarterly dividends of $0.08 per share were paid in the second, third and fourth quarters.

Stock-based compensation expense recognized in the fourth quarter of 2006 related to stock options plans was $22 million (2005 - $7 million). For the year ended December 31, 2006 stock-based compensation expense recognized was $53 million (2005 - $23 million).

Common share options granted prior to January 1, 2003 are not recognized as compensation expense in the Consolidated Statements of Earnings. The company's reported net earnings attributable to common shareholders and earnings per share prepared in accordance with the fair value method of accounting for stock-based compensation would have been reduced for all common share options granted prior to 2003 to the pro forma amounts stated below:

| ($ millions, except per share amounts) | Fourth Quarter | | Years ended December 31 | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| Net earnings - as reported | **358** | 693 | **2 971** | 1 158 |
| Less: compensation cost under the fair value method for pre-2003 options | **8** | 2 | **15** | 13 |
| Pro forma net earnings | **350** | 691 | **2 956** | 1 145 |
| Basic earnings per share | | | | |
| As reported | **0.78** | 1.52 | **6.47** | 2.54 |
| Pro forma | **0.76** | 1.51 | **6.44** | 2.51 |
| Diluted earnings per share | | | | |
| As reported | **0.76** | 1.48 | **6.32** | 2.48 |
| Pro forma | **0.74** | 1.48 | **6.29** | 2.46 |

(b) **Performance share units (PSUs)**

In the fourth quarter of 2006 the company issued 2,000 PSUs (2005 – 2,000). For the year ended December 31, 2006, the company issued 397,000 PSUs (2005 – 453,000). Expense recognized in the fourth quarter of 2006 was $17 million (2005 – $5 million). Expense recognized for the year ended December 31, 2006 was $42 million (2005 – $21 million).

## 7. Employee Future Benefits Liability

The company's pension plans and other post-retirement benefits programs are described in note 8 of the company's 2005 Annual Report. The following is the status of the net periodic benefit cost for the fourth quarter and the twelve months ended December 31.

| | Pension Benefits | | | |
|---|---|---|---|---|
| | Fourth quarter | | Years ended December 31 | |
| ($ millions) | **2006** | 2005 | **2006** | 2005 |
| Current service costs | **11** | 8 | **44** | 32 |
| Interest costs | **10** | 9 | **40** | 38 |
| Expected return on plan assets | **(8)** | (7) | **(32)** | (28) |
| Amortization of net actuarial loss | **7** | 6 | **28** | 21 |
| Net periodic benefit cost | **20** | 16 | **80** | 63 |

| | Other Post-retirement Benefits | | | |
|---|---|---|---|---|
| | Fourth quarter | | Years ended December 31 | |
| ($ millions) | **2006** | 2005 | **2006** | 2005 |
| Current service costs | **1** | - | **5** | 5 |
| Interest costs | **2** | 1 | **8** | 6 |
| Amortization of net actuarial loss | **-** | - | **1** | 1 |
| Net periodic benefit cost | **3** | 1 | **14** | 12 |

## 8. Supplemental Information

| | Fourth Quarter | | Years ended December 31 | |
|---|---|---|---|---|
| ($ millions) | **2006** | 2005 | **2006** | 2005 |
| Interest paid | **23** | 27 | **146** | 149 |
| Income taxes paid | **29** | 16 | **34** | 77 |

**Revenue Hedges**

| Strategic Crude Oil | Quantity (bpd) | Average Price (US$/bbl)[a] | Revenue Hedged (Cdn$ millions)[b] | Hedge Period [c] |
|---|---|---|---|---|
| **As at December 31, 2006** | | | | |
| Costless collars | 60 000 | 51.64 – 93.26 | 1 318 – 2 380 | 2007 |
| Costless collars | 10 000 | 59.85 – 101.06 | 255 – 431 | 2008 |

| Natural Gas | Quantity (GJ/day) | Average Price (Cdn$/GJ) | Revenue Hedged (Cdn$ millions) | Hedge Period [c] |
|---|---|---|---|---|
| **As at December 31, 2006** | | | | |
| Swaps | 4 000 | 6.11 | 9 | 2007 |

| Foreign Currency Hedges | Notional (Euro Millions) | Average Forward Rate | Dollars Hedged (Cdn$ millions) | Hedge Period [c] |
|---|---|---|---|---|
| **As at December 31, 2006** | | | | |
| Euro/Cdn forward | 20.6 | 1.41 | 29 | 2007 |

(a) Average price for crude oil costless collars is US$ WTI per barrel at Cushing, Oklahoma.

(b) The revenue and margin hedged is translated to Cdn$ at the respective year-end exchange rate for convenience purposes.

(c) Original hedge term is for the full year unless otherwise noted.

(d) Settlement for applicable forwards occurring within the period April to September 2007.

## 9. Income Taxes

During the second quarter of 2006 the federal government substantively enacted a 3.1% reduction to its federal corporate tax rates. Accordingly, the company recognized a reduction in future income tax expense of $292 million related to the revaluation of its opening future income tax balances.

As well, the provincial government of Alberta substantively enacted a 1.5% reduction to its provincial corporate tax rates during the second quarter of 2006. Accordingly, the company recognized a reduction in future income tax expense of $127 million related to the revaluation of its opening future income tax balances.

## 10. Alberta Crown Royalties

Alberta Crown royalties in effect for each Oil Sands project require payments to the Government of Alberta based on annual gross revenues less related transportation costs (R) less allowable costs (C), including the deduction of certain capital expenditures (the 25% R-C royalty), subject to a minimum payment of 1% of R. Firebag is being treated by the Government of Alberta as a separate project from the rest of the Oil Sands operations for royalty purposes.

In February 2006, we advised the Government of Alberta we would not proceed with a July 2004 claim we filed against the Crown where we were seeking to overturn the government's decision on the royalty treatment of our Firebag in-situ operations.

Royalty expense for the company's Oil Sands operations for the fourth quarter was $229 million (2005 - $89 million). For the year ended December 31, 2006, Crown royalty expense was $911 million (2005 - $406 million).

During the fourth quarter of 2006, Suncor exercised its option to move our Oil Sands operations to the bitumen-based royalty regime effective January 1, 2009.

**11. Credit Facilities**

During the second quarter, a $1.5 billion credit facility agreement was renegotiated and extended by two years, to have a five year term maturing in June 2011. The credit limit of this facility was also increased by $500 million to $2 billion. In addition, a $200 million credit facility agreement was renegotiated and increased by $100 million to $300 million. As well, a $600 million credit facility agreement matured during the second quarter and was not renewed. At December 31, 2006, the company had available facilities as follows:

| ($ millions) | |
|---|---|
| Facility that is fully revolving for 364 days, has a term period of one year and expires in 2008 | 300 |
| Facility that is fully revolving for a period of five years and expires in 2011 | 2 000 |
| Facilities that can be terminated at any time at the option of the lenders | 30 |
| Total available credit facilities | 2 330 |

As at December 31, 2006, the Company issued $237 million in letters of credit to various third parties and outstanding commercial paper of $280 million, leaving undrawn lines of credit were approximately $1,813 million.