PETRO-CANADA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

CONSOLIDATED STATEMENT OF EARNINGS *(unaudited)*
For the periods ended June 30
(millions of Canadian dollars, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenue				
Operating	$ 4,270	$ 7,766	$ 8,241	$ 14,383
Investment and other income (expense) *(Note 3)*	1	(120)	1	(151)
	4,271	7,646	8,242	14,232
Expenses				
Crude oil and product purchases	2,008	3,775	3,964	6,738
Operating, marketing and general *(Note 4)*	1,178	1,092	2,229	1,935
Exploration	128	185	236	328
Depreciation, depletion and amortization *(Notes 4 and 5)*	1,016	472	1,576	995
Unrealized (gain) loss on translation of foreign currency denominated long-term debt	(282)	15	(179)	70
Interest	77	47	155	95
	4,125	5,586	7,981	10,161
Earnings before income taxes	146	2,060	261	4,071
Provision for income taxes				
Current	322	813	513	1,657
Future *(Note 6)*	(253)	(251)	(282)	(160)
	69	562	231	1,497
Net earnings	$ 77	$ 1,498	$ 30	$ 2,574
Earnings per share *(Note 7)*				
Basic	$ 0.16	$ 3.10	$ 0.06	$ 5.32
Diluted	$ 0.16	$ 3.07	$ 0.06	$ 5.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(unaudited)*
For the periods ended June 30
(millions of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net earnings	$ 77	$ 1,498	$ 30	$ 2,574
Other comprehensive income (loss), net of tax				
Change in foreign currency translation adjustment	(70)	(49)	(111)	158
Comprehensive income (loss)	$ 7	$ 1,449	$ (81)	$ 2,732

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS *(unaudited)*
For the periods ended June 30
(millions of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Operating activities				
Net earnings	$ 77	$ 1,498	$ 30	$ 2,574
Items not affecting cash flow from operating activities:				
Depreciation, depletion and amortization *(Notes 4 and 5)*	1,016	472	1,576	995
Future income taxes	(253)	(251)	(282)	(160)
Accretion of asset retirement obligations	29	18	50	37
Unrealized (gain) loss on translation of foreign currency denominated long-term debt	(282)	15	(179)	70
Gain (loss) on sale of assets	(1)	134	(2)	130
Other	(27)	(44)	34	(33)
Exploration expenses	75	137	109	218
(Increase) decrease in non-cash working capital related to operating activities	(169)	500	(399)	83
Cash flow from operating activities	465	2,479	937	3,914
Investing activities				
Expenditures on property, plant and equipment and exploration	(683)	(2,141)	(1,364)	(3,157)
Proceeds from sale of assets	2	33	5	45
(Increase) decrease in non-cash working capital related to investing activities	(93)	907	(464)	941
Cash flow used in investing activities	(774)	(1,201)	(1,823)	(2,171)
Financing activities				
Decrease in short-term notes payable	-	(431)	-	(109)
Proceeds from issue of long-term debt	-	1,482	-	1,482
Repayment of long-term debt	-	(300)	(1)	(996)
Proceeds from issue of common shares	7	13	9	16
Dividends on common shares	(97)	(63)	(194)	(126)
Cash flow from (used in) financing activities	(90)	701	(186)	267
Increase (decrease) in cash and cash equivalents	(399)	1,979	(1,072)	2,010
Cash and cash equivalents at beginning of period	772	262	1,445	231
Cash and cash equivalents at end of period	$ 373	$ 2,241	$ 373	$ 2,241

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET *(unaudited)*
As at June 30, 2009
(millions of Canadian dollars)

	June 30, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 373	$ 1,445
Accounts receivable	3,057	2,844
Inventories	1,449	1,289
Future income taxes	38	25
	4,917	5,603
Property, plant and equipment, net *(Notes 4 and 5)*	23,187	23,485
Goodwill	814	852
Other assets	419	437
	$ 29,337	$ 30,377
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,984	$ 3,186
Income taxes payable	798	1,018
Current portion of long-term debt *(Note 8)*	3	3
	3,785	4,207
Long-term debt *(Note 8)*	4,503	4,746
Other liabilities	1,248	1,240
Asset retirement obligations	1,604	1,527
Future income taxes	2,989	3,182
Shareholders' equity		
Common shares *(Note 9)*	1,398	1,388
Contributed surplus *(Note 9)*	20	22
Retained earnings	13,898	14,062
Accumulated other comprehensive income (loss)		
Foreign currency translation adjustment	(108)	3
	15,208	15,475
	$ 29,337	$ 30,377

CONSOLIDATED STATEMENT OF RETAINED EARNINGS *(unaudited)*
For the periods ended June 30
(millions of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Retained earnings at beginning of period	$ 13,918	$ 12,261	$ 14,062	$ 11,248
Net earnings	77	1,498	30	2,574
Dividends on common shares	(97)	(63)	(194)	(126)
Retained earnings at end of period	$ 13,898	$ 13,696	$ 13,898	$ 13,696

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*
(millions of Canadian dollars)

1. SEGMENTED INFORMATION
Three months ended June 30,

	Upstream															
					International & Offshore											
	North American Natural Gas		Oil Sands		East Coast Canada		International		Downstream		Shared Services		Eliminations[3]		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue																
Sales to customers	$ 229	$ 581	$ 279	$ 589	$ 325	$ 820	$ 751	$ 1,295	$ 2,686	$ 4,481	$ -	$ -	$ -	$ -	$ 4,270	$ 7,766
Investment and other income (expense)	1	(146)	15	(3)	(9)	(3)	13	28	(7)	(24)	(12)	28	-	-	1	(120)
Inter-segment sales	54	127	476	381	137	108	-	-	3	4	-	-	(670)	(620)	-	-
Segmented revenue	284	562	770	967	453	925	764	1,323	2,682	4,461	(12)	28	(670)	(620)	4,271	7,646
Expenses																
Crude oil and product purchases[1]	62	138	466	511	105	222	-	-	1,352	2,942	-	-	23	(38)	2,008	3,775
Inter-segment transactions	1	1	6	6	2	2	-	-	661	611	-	-	(670)	(620)	-	-
Operating, marketing and general	128	132	292	170	63	55	138	112	409	410	148	213	-	-	1,178	1,092
Exploration	73	21	3	-	1	-	51	164	-	-	-	-	-	-	128	185
Depreciation, depletion and amortization	385	118	264	26	83	85	180	165	103	77	1	1	-	-	1,016	472
Unrealized (gain) loss on translation of foreign currency denominated long-term debt	-	-	-	-	-	-	-	-	-	-	(282)	15	-	-	(282)	15
Interest	-	-	-	-	-	-	15	-	-	-	62	47	-	-	77	47
	649	410	1,031	713	254	364	384	441	2,525	4,040	(71)	276	(647)	(658)	4,125	5,586
Earnings (loss) before income taxes	(365)	152	(261)	254	199	561	380	882	157	421	59	(248)	(23)	38	146	2,060
Provision for income taxes																
Current	47	33	25	55	65	185	246	513	(23)	67	(38)	(38)	-	(2)	322	813
Future	(173)	19	(98)	22	(3)	(9)	(9)	(303)	59	54	(22)	(34)	(7)	-	(253)	(251)
	(126)	52	(73)	77	62	176	237	210	36	121	(60)	(72)	(7)	(2)	69	562
Net earnings (loss)	$ (239)	$ 100	$ (188)	$ 177	$ 137	$ 385	$ 143	$ 672	$ 121	$ 300	$ 119	$ (176)	$ (16)	$ 40	$ 77	$ 1,498
Expenditures on property, plant and equipment and exploration [2]	$ 41	$ 91	$ 105	$ 225	$ 92	$ 44	$ 326	$ 1,269	$ 115	$ 503	$ 4	$ 9	$ -	$ -	$ 683	$ 2,141
Cash flow from (used in) operating activities	$ 62	$ 379	$ (113)	$ 162	$ 254	$ 670	$ 313	$ 1,031	$ 54	$ 41	$ (105)	$ 196	$ -	$ -	$ 465	$ 2,479
Total assets	$ 3,948	$ 4,037	$ 4,629	$ 4,235	$ 2,088	$ 2,140	$ 8,128	$ 7,555	$10,387	$10,957	$ 203	$ 1,674	$ (46)	$ (72)	$29,337	$30,526

1 Downstream crude oil and product purchases account for substantially all of the Downstream inventories recognized as an expense during the period.
2 Consolidated expenditures include capitalized interest in the amount of $4 million for the three months ended June 30, 2009 ($15 million for the three months ended June 30, 2008).
3 Eliminations relates to sales between segments recorded at transfer prices based on current market prices, and to unrealized inter-segment profits and losses on inventories.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*
(millions of Canadian dollars)

1. SEGMENTED INFORMATION *continued*
Six months ended June 30,

	Upstream															
					International & Offshore											
	North American Natural Gas		Oil Sands		East Coast Canada		International		Downstream		Shared Services		Eliminations[3]		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue																
Sales to customers	$ 555	$ 1,011	$ 501	$ 934	$ 640	$ 1,502	$ 1,369	$ 2,689	$ 5,176	$ 8,247	$ -	$ -	$ -	$ -	$ 8,241	$14,383
Investment and other income (expense)	-	(143)	15	(1)	(7)	(2)	(11)	(3)	3	(32)	1	30	-	-	1	(151)
Inter-segment sales	120	226	776	678	224	312	8	-	5	8	-	-	(1,133)	(1,224)	-	-
Segmented revenue	675	1,094	1,292	1,611	857	1,812	1,366	2,686	5,184	8,223	1	30	(1,133)	(1,224)	8,242	14,232
Expenses																
Crude oil and product purchases[1]	150	231	740	759	219	410	-	-	2,805	5,381	-	-	50	(43)	3,964	6,738
Inter-segment transactions	2	3	16	14	3	4	-	-	1,112	1,203	-	-	(1,133)	(1,224)	-	-
Operating, marketing and general	264	260	565	374	113	112	275	242	812	814	200	133	-	-	2,229	1,935
Exploration	93	71	32	5	2	-	109	252	-	-	-	-	-	-	236	328
Depreciation, depletion and amortization	545	272	303	53	173	182	351	335	203	152	1	1	-	-	1,576	995
Unrealized (gain) loss on translation of foreign currency denominated long-term debt	-	-	-	-	-	-	-	-	-	-	(179)	70	-	-	(179)	70
Interest	-	-	-	-	-	-	15	-	-	-	140	95	-	-	155	95
	1,054	837	1,656	1,205	510	708	750	829	4,932	7,550	162	299	(1,083)	(1,267)	7,981	10,161
Earnings (loss) before income taxes	(379)	257	(364)	406	347	1,104	616	1,857	252	673	(161)	(269)	(50)	43	261	4,071
Provision for income taxes																
Current	98	60	21	70	110	362	450	1,160	(99)	90	(67)	(85)	-	-	513	1,657
Future	(236)	23	(129)	47	(4)	(18)	(18)	(311)	148	99	(28)	-	(15)	-	(282)	(160)
	(138)	83	(108)	117	106	344	432	849	49	189	(95)	(85)	(15)	-	231	1,497
Net earnings (loss)	$ (241)	$ 174	$ (256)	$ 289	$ 241	$ 760	$ 184	$ 1,008	$ 203	$ 484	$ (66)	$ (184)	$ (35)	$ 43	$ 30	$ 2,574
Expenditures on property, plant and equipment and exploration [2]	$ 136	$ 258	$ 244	$ 403	$ 147	$ 82	$ 674	$ 1,520	$ 158	$ 881	$ 5	$ 13	$ -	$ -	$ 1,364	$ 3,157
Cash flow from (used in) operating activities	$ 121	$ 578	$ (88)	$ 328	$ 503	$ 1,155	$ 459	$ 1,537	$ 352	$ 25	$ (410)	$ 291	$ -	$ -	$ 937	$ 3,914
Total assets	$ 3,948	$ 4,037	$ 4,629	$ 4,235	$ 2,088	$ 2,140	$ 8,128	$ 7,555	$10,387	$10,957	$ 203	$ 1,674	$ (46)	$ (72)	$29,337	$30,526

1 Downstream crude oil and product purchases account for substantially all of the Downstream inventories recognized as an expense during the period.
2 Consolidated expenditures include capitalized interest in the amount of $15 million for the six months ended June 30, 2009 ($28 million for the six months ended June 30, 2008).
3 Eliminations relates to sales between segments recorded at transfer prices based on current market prices, and to unrealized inter-segment profits and losses on inventories.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*
(millions of Canadian dollars, unless otherwise stated)

2. BASIS OF PRESENTATION

The note disclosure requirements for annual financial statements provide additional disclosure to that required for interim financial statements. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the December 31, 2008 audited Consolidated Financial Statements. The interim Consolidated Financial Statements are presented in accordance with Canadian generally accepted accounting principles (GAAP) and follow the accounting policies summarized in the notes to the annual Consolidated Financial Statements.

3. INVESTMENT AND OTHER INCOME (EXPENSE)

Investment and other income (expense) consists of the following amounts:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Foreign exchange gains (losses)	$ (4)	$ 42	$ (10)	$ 20
Gain (loss) on sale of assets	1	(134)	2	(130)
Loss on derivative contracts	(15)	(31)	(10)	(44)
Other	19	3	19	3
Total investment and other income (expense)	$ 1	$ (120)	$ 1	$ (151)

4. FORT HILLS PROJECT

The upgrading portion of the Fort Hills Project has been deferred indefinitely. This has created uncertainty around the probability of realizing future benefits from costs incurred to engineer and design the upgrader, costs which had initially been capitalized as property, plant and equipment. Because of this uncertainty, GAAP requires that all such costs previously capitalized be written off. As such, the Company has recognized impairment charges of $236 million ($174 million after-tax) for the three and six months ended June 30, 2009 to reflect these writedowns.

The mining portion of the project continues to be on hold until the merger with Suncor Energy Inc. (Suncor) is finalized (Note 14). Some existing equipment supply and services agreements have been terminated or suspended. The Company has recognized expenses of $16 million ($11 million after-tax) and $82 million ($57 million after-tax) for the three and six months ended June 30, 2009, respectively, to reflect the termination or suspension of these agreements.

The impairment charges are included in depreciation, depletion and amortization and the equipment supply and the services agreement termination expenses are included in operating, marketing and general expenses, both in the Consolidated Statement of Earnings.

5. ASSET WRITEDOWNS

During the three and six months ended June 30, 2009, the Company recognized a $244 million ($158 million after-tax) impairment charge to reflect writedowns of certain natural gas production assets, primarily in the coal bed methane properties in the U.S. Rockies' Powder River Basin, which form part of the Company's North American Natural Gas business segment. Production declines for these assets have led management to conclude that future production will be significantly less than previously estimated. As well, developments in the North American natural gas market have caused management to downwardly revise prices in the short and medium term. The assets have been written down to management's best estimate of fair value based on a discounted future cash flow valuation. The impairment expense is included in depreciation, depletion and amortization on the Consolidated Statement of Earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*
(millions of Canadian dollars, unless otherwise stated)

6. LIBYA EXPLORATION AND PRODUCTION SHARING AGREEMENTS

On June 19, 2008, the Company signed six new Exploration and Production Sharing Agreements (EPSAs) with the Libya National Oil Corporation (NOC) to convert its existing concession agreements and old EPSA into new EPSA IV agreements. The new EPSAs were ratified as of the signing with an effective date of January 1, 2008. The new EPSAs will have an expected duration of 30 years and will enable the Company to implement jointly with the NOC the redevelopment of major fields and conduct a 100% operated exploration program in the Libyan Sirte Basin.

Net earnings for the three months ended June 30, 2008 included a $230 million future income tax recovery, which the Company recognized on ratification of the new EPSAs, and a $47 million after-tax adjustment to recognize incremental earnings on properties covered by the old agreements, based on the financial terms of the new EPSAs relating to the period January 1 to March 31, 2008, which could not be recognized until ratification on June 19, 2008.

7. EARNINGS PER SHARE

The following table provides the number of common shares used in calculating earnings per share amounts:

	Three months ended June 30,		Six months ended June 30,	
(millions)	2009	2008	2009	2008
Weighted-average number of common shares outstanding – basic	485.0	483.8	484.9	483.8
Effect of dilutive stock options	2.9	4.3	2.6	4.2
Weighted-average number of common shares outstanding – diluted	487.9	488.1	487.5	488.0

8. LONG-TERM DEBT

	Maturity	June 30, 2009	December 31, 2008
Debentures and notes			
6.80% unsecured senior notes ($900 million US)	2038	$ 1,034	$ 1,090
5.95% unsecured senior notes ($600 million US)	2035	682	719
5.35% unsecured senior notes ($300 million US)	2033	302	320
7.00% unsecured debentures ($250 million US)	2028	281	296
7.875% unsecured debentures ($275 million US)	2026	315	332
9.25% unsecured debentures ($300 million US)	2021	346	365
6.05% unsecured debentures ($600 million US)	2018	692	729
5.00% unsecured senior notes ($400 million US) [1]	2014	461	485
4.00% unsecured senior notes ($300 million US)	2013	334	351
Capital leases	2009-2022	59	62
		4,506	4,749
Current portion		(3)	(3)
		$ 4,503	$ 4,746

[1] These senior notes were issued by PC Financial Partnership, a wholly-owned finance subsidiary of Petro-Canada. Petro-Canada has fully and unconditionally guaranteed these senior notes.

Interest on long-term debt and short-term notes payable, net of capitalized interest, was $63 million and $139 million for the three and six months ended June 30, 2009, respectively ($46 million and $92 million for the three and six months ended June 30, 2008, respectively). Interest is paid semi-annually. All debentures and notes are repayable in full upon maturity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*
(millions of Canadian dollars, unless otherwise stated)

8. LONG-TERM DEBT *continued*

The Company had in place the following revolving credit facilities:

Facility	Maturity	June 30, 2009	December 31, 2008
Syndicated, committed	2013	$ 3,570	$ 3,570
Bilateral, committed ($200 million US)[1]	2013	233	-
Bilateral, demand	n/a	771	777
Total available credit facilities		4,574	4,347
Used for letters of credit and overdraft coverage		(341)	(348)
Total credit facilities not used[2]		$ 4,233	$ 3,999

1 Use of this facility is restricted to business activities outside of Canada.
2 Excludes $500 million capacity available under accounts receivable securitization program.

9. SHAREHOLDERS' EQUITY

Changes in common shares and contributed surplus were as follows:

	Shares	Amount	Contributed Surplus
Balance at December 31, 2008	484,597,467	$ 1,388	$ 22
Issued under employee stock option and share purchase plans	579,277	10	(2)
Balance at June 30, 2009	485,176,744	$ 1,398	$ 20

The Company's normal course issuer bid (NCIB) program, which allowed the Company to repurchase up to 24 million outstanding common shares during the period from June 22, 2008 to June 21, 2009, was not renewed during the three months ended June 30, 2009. During the three and six months ended June 30, 2009 and June 30, 2008, the Company did not repurchase any common shares.

10. STOCK-BASED COMPENSATION

The total stock-based compensation expense recorded was $136 million and $175 million for the three and six months ended June 30, 2009, respectively, ($189 million and $92 million for the three and six months ended June 30, 2008, respectively).

(a) Stock Options

Changes in the number of outstanding stock options were as follows:

	Stock Options	
	Number	Weighted-Average Exercise Price
Balance at December 31, 2008	22,133,902	$ 37
Granted	2,703,900	25
Exercised for common shares	(579,277)	15
Surrendered for cash payment	(348,893)	33
Forfeited	(354,750)	42
Expired	(2,000)	8
Balance at June 30, 2009	23,552,882	$ 36

(millions of Canadian dollars, unless otherwise stated)

10. STOCK-BASED COMPENSATION *continued*

(b) Stock Appreciation Rights (SARs)

Changes in the number of outstanding SARs were as follows:

	SARs	
	Number	Weighted-Average Exercise Price
Balance at December 31, 2008	7,207,354	$ 46
Granted	5,450,450	25
Exercised	(69,698)	44
Forfeited	(490,301)	36
Balance at June 30, 2009	12,097,805	$ 37

(c) Performance Share Units (PSUs)

Changes in the number of outstanding PSUs were as follows:

	PSUs
	Number
Balance at December 31, 2008	828,372
Granted	259,467
Redeemed	(348,980)
Forfeited	(1,219)
Balance at June 30, 2009	737,640

(d) Restricted Stock Units (RSUs)

During the first quarter of 2009, the Company instituted a RSUs plan for senior management employees, whereby notional share units are awarded and settled in cash at the end of a three-year period. This award is based upon the Company's share price at the end of the three-year period and the value of notional dividends applied during the period.

Changes in the number of outstanding RSUs were as follows:

	RSUs
	Number
Balance at December 31, 2008	-
Granted	813,335
Redeemed	-
Forfeited	(14,955)
Balance at June 30, 2009	798,380

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*
(millions of Canadian dollars, unless otherwise stated)

11. EMPLOYEE FUTURE BENEFITS

The Company maintains pension plans with defined benefit and defined contribution provisions and provides certain health care and life insurance benefits to its qualifying retirees. The expenses associated with these plans are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Pension Plans:				
Defined benefit plans				
Employer current service cost	$ 8	$ 10	$ 16	$ 21
Interest cost	25	24	51	47
Expected return on plan assets	(22)	(27)	(44)	(55)
Amortization of transitional asset	(1)	(2)	(2)	(3)
Amortization of net actuarial losses	18	12	36	24
	28	17	57	34
Defined contribution plans	7	6	14	11
	$ 35	$ 23	$ 71	$ 45
Other post-retirement plans:				
Employer current service cost	$ 2	$ 2	$ 3	$ 3
Interest cost	3	4	7	7
Amortization of transitional obligation	-	-	1	1
Amortization of net actuarial losses	-	-	-	1
	$ 5	$ 6	$ 11	$ 12

The Company expects to contribute $72 million to its pension plans in 2009.

12. CAPITAL MANAGEMENT

The Company's capital management strategy is designed to maintain financial strength and flexibility to support profitable growth in all business environments. The Company continually monitors its capital management strategy and makes adjustments as appropriate. The Company's capital management strategy, objectives, evaluation measures, definitions and targets have not changed significantly from the prior period.

The Company is subject to certain financial covenants associated with its various banking and debt arrangements and was in compliance with all financial covenants for the three and six months ended June 30, 2009.

13. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

The Company is exposed to a number of financial risks in the normal course of its business operations, including market risks resulting from fluctuations in commodity prices, interest rates and foreign currency exchange rates, as well as credit risks and liquidity risks. The Company monitors its exposures to these risks and employs strategies to manage the risks as it considers appropriate. The Company's financial risk exposure and risk management strategies have not changed significantly from the prior period.

The fair values of the Company's financial assets and financial liabilities may fluctuate in response to these risks. Excluding debentures, senior notes and capital leases, which are recorded as long-term debt, the fair values of financial instruments equals or approximates their carrying amount, due to their short maturity. The fair value of debentures, senior notes and capital leases was $4,536 million at June 30, 2009 (December 31, 2008 – $3,868 million), compared with a carrying amount of $4,506 million at June 30, 2009 (December 31, 2008 – $4,749 million). The fair values of debentures, senior notes and capital leases are based on publicly quoted market values for instruments with similar terms and risks.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*
(millions of Canadian dollars, unless otherwise stated)

14. MERGER WITH SUNCOR ENERGY INC. (SUNCOR)

On March 23, 2009, the Company announced plans to merge with Suncor. Petro-Canada and Suncor shareholders have approved the merger, as have the Court of Queen's Bench of Alberta and the Competition Bureau. Petro-Canada and Suncor intend to make the merger effective August 1, 2009.