SUNCOR ENERGY INC
Form SUPPL
November 25, 2003

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**Filed pursuant to
General Instruction II.L. of Form F-10.
File No. 333-14242**

**PROSPECTUS SUPPLEMENT
(To Prospectus dated January 10, 2002)**

# Suncor Energy Inc.

## U.S.$500,000,000

### 5.95% Notes due 2034

*Interest payable June 1 and December 1*

## Issue price: 99.411%

The notes bear interest at the rate of 5.95% per year. We will pay interest on the notes on June 1 and December 1 of each year, beginning June 1, 2004. The notes will mature on December 1, 2034. We may redeem some or all of the notes at any time at a redemption price as described under "Description of the Notes Optional Redemption". We may also redeem all of the notes if certain changes affecting withholding taxes occur. The notes do not have the benefit of any sinking fund.

The notes will be unsecured obligations and rank equally with our unsecured senior indebtedness. The notes will be issued only in registered form in denominations of U.S.$1,000.

**Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 28 of the accompanying prospectus.**

| | Price to Public | Underwriting Commission | Proceeds to Us, Before Expenses |
|---|---|---|---|
| Per Note | 99.411% | 0.875% | 98.536% |
| Total | U.S.$497,055,000 | U.S.$4,375,000 | U.S.$492,680,000 |

**We are permitted to prepare this prospectus supplement and the accompanying prospectus in accordance with Canadian disclosure requirements, which are different from those of the United States. We prepare our financial statements in accordance with Canadian generally accepted accounting principles, and are subject to Canadian auditing and auditor independence standards. As a result, our financial statements may not be comparable to those of United States companies.**

**Owning the notes may subject you to tax consequences both in the United States and in Canada. This prospectus supplement and the accompanying prospectus may not describe these tax consequences fully. You should read the tax discussion in this prospectus supplement.**

**Your ability to enforce civil liabilities under the United States federal securities laws may be affected adversely because we are incorporated in Canada, most of our officers and directors and some of the experts named in this prospectus supplement or the**

**accompanying prospectus are residents of Canada, and many of our assets are located in Canada.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The notes are expected to be ready for delivery in book-entry form through The Depository Trust Company on or about December 1, 2003.

*Joint Book-Running Managers*

**Citigroup** **JPMorgan**

**CIBC World Markets** **RBC Capital Markets**
**Scotia Capital** **BNP PARIBAS**

**Harris Nesbitt** **Banc One Capital Markets, Inc.**
**Deutsche Bank Securities** **TD Securities**

November 24, 2003

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**IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the notes we are offering and also adds to and updates certain information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying base prospectus dated January 10, 2002, which gives more general information, some of which may not apply to the notes we are offering. The accompanying base prospectus is referred to as the "prospectus" in this prospectus supplement.

**If the description of the notes varies between this prospectus supplement and the prospectus, you should rely on the information in this prospectus supplement.**

**You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement and the prospectus, as well as information in any document incorporated by reference that we previously filed with the Securities and Exchange Commission and with the Alberta Securities Commission, is accurate only as of its respective date.**

In this prospectus supplement, all capitalized terms used and not otherwise defined have the meanings provided in the prospectus. In this prospectus supplement, the prospectus and any document incorporated by reference, unless otherwise specified, all dollar amounts are expressed in Canadian dollars, and all financial information is determined using Canadian generally accepted accounting principles which are in effect from time to time, referred to as "Canadian GAAP". "U.S. GAAP" means generally accepted accounting principles which are in effect from time to time in the United States. For a discussion of the principal differences between our financial results as calculated under Canadian GAAP and under U.S. GAAP, you should refer to the "U.S. GAAP Reconciliation Note" beginning on page F-1 of this prospectus supplement and note 19 to our audited consolidated financial statements for the year ended December 31, 2002, incorporated by reference into this prospectus supplement. Unless otherwise specified or the context otherwise requires, all references in this prospectus supplement, the prospectus and any document incorporated by reference to "Suncor", "we", "us" and "our" mean Suncor Energy Inc. and its subsidiaries and joint venture investments.

This prospectus supplement is deemed to be incorporated by reference into the prospectus solely for the purposes of the offering of the notes offered hereby. Other documents are also incorporated or deemed to be incorporated by reference into the prospectus. See "Documents Incorporated by Reference" in this prospectus supplement and "Where You Can Find More Information" in the prospectus.

**Any statement contained in this prospectus supplement, the prospectus or any document incorporated or deemed to be incorporated by reference into this prospectus supplement or the prospectus for the purpose of the offering of the notes offered hereby shall be deemed to be modified or superseded to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that also is or is deemed to be incorporated by reference in the prospectus modifies or supersedes that statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this prospectus supplement or the prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes.**



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## EXCHANGE RATE DATA

We publish our consolidated financial statements in Canadian dollars. In this prospectus supplement, unless otherwise specified, all dollar amounts are expressed in Canadian dollars, references to "dollars", "$" or "Cdn.$" are to Canadian dollars and references to "U.S.$" are to United States dollars.

The following table sets forth certain exchange rates based on the noon buying rate of The City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "noon buying rate"). These rates are set forth as United States dollars per $1.00 and are the inverse of rates quoted by the Federal Reserve Bank of New York for Canadian dollars per U.S.$1.00. On November 24, 2003, the inverse of the noon buying rate was U.S.$0.7570 per $1.00.

| | Year Ended December 31, | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2002 | 2003 |
| High | U.S.$ 0.6969 | U.S.$ 0.6697 | U.S.$ 0.6619 | U.S.$ 0.6619 | U.S.$ 0.7492 |
| Low | U.S.$ 0.6410 | U.S.$ 0.6244 | U.S.$ 0.6200 | U.S.$ 0.6200 | U.S.$ 0.6349 |
| Average[1] | U.S.$ 0.6727 | U.S.$ 0.6446 | U.S.$ 0.6370 | U.S.$ 0.6367 | U.S.$ 0.7037 |
| Period End | U.S.$ 0.6669 | U.S.$ 0.6279 | U.S.$ 0.6329 | U.S.$ 0.6304 | U.S.$ 0.7404 |

(1) The average of the inverse of the noon buying rate on the last day of each month during the applicable period.

## FORWARD-LOOKING STATEMENTS

This prospectus supplement contains or incorporates by reference certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 relating, but not limited, to our operations, production, anticipated financial performance, business prospects and strategies and which are based on our current expectations, estimates, projections and assumptions and were made by us in light of our experience and our perception of historical trends. All statements that address expectations or projections about the future, including statements about our strategy for growth, expected future expenditures, commodity prices, costs, schedules, production volumes, production capacity, operating or financial results and expected impact of future contractual commitments, are forward-looking statements. Some of our forward-looking statements may be identified by words like "expects", "anticipates", "plans", "intends", "believes", "projects", "indicates", "could", "vision", "goal", "target", "objective" and similar expressions. Our business is subject to risks and uncertainties, some of which are similar to other oil and gas companies and some of which are unique to us. Our actual results may differ materially from those expressed or implied by our forward-looking statements as a result of known and unknown risks, uncertainties and other factors.

You are cautioned not to place undue reliance on our forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predicted outcomes will not occur. The risks, uncertainties and other factors, many of which are beyond our control, that could influence our actual results include, but are not limited to:

- changes in the general economic, market and business conditions;
- fluctuations in supply and demand for our products;
- fluctuations in commodity prices;
- fluctuations in currency exchange rates;
- our ability to respond to changing markets;

our ability to receive timely regulatory approvals;

the successful and timely implementation of our growth projects including the Firebag oil sands in-situ project and the Voyageur oil sands project, including the availability of qualified labor and supplies;

the integrity and reliability of our capital assets;



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the cumulative impact of other resource development projects;

our ability to comply with current and future environmental laws;

the accuracy of our reserve, resource and future production estimates and our success at exploration and development drilling and related activities;

the maintenance of satisfactory relationships with unions, employee associations and joint venture co-owners;

competitive actions of other companies, including increased competition from other oil and gas companies or from companies that provide alternative sources of energy;

the uncertainties resulting from potential delays or changes in plans with respect to projects or capital expenditures;

actions by governmental authorities, including the imposition of changes to taxes, fees and royalties and changes in environmental and other regulations;

the ability and willingness of parties with whom we have material relationships to perform their obligations to us;

the occurrence of unexpected events such as fires, blowouts, freeze-ups, power failures, equipment failures and other similar events affecting us or other parties whose operations or assets directly or indirectly affect us; and

other factors, many of which are beyond our control.

We caution that the foregoing list of important factors is not exhaustive. Events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. You should also carefully consider the matters discussed under "Risk/Success Factors" in our Annual Information Form for the year ended December 31, 2002 and in our Management's Discussion and Analysis for the year ended December 31, 2002 incorporated by reference therein, each of which is incorporated by reference in this prospectus supplement, and under "Risk Factors" in the accompanying prospectus. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. We undertake no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise, or the foregoing list of factors affecting this information.

**DOCUMENTS INCORPORATED BY REFERENCE**

The following documents which have been filed with the securities commission or similar authority in each of the provinces of Canada and with the Securities and Exchange Commission are specifically incorporated by reference in and form an integral part of this prospectus supplement and the accompanying prospectus:

- our audited consolidated financial statements for the year ended December 31, 2002, including the notes thereto and the auditors' report thereon included in our Annual Report to Shareholders;
- our Annual Information Form dated February 27, 2003 (including Management's Discussion and Analysis for the year ended December 31, 2002, incorporated therein by reference);
- our Management Proxy Circular dated February 27, 2003 relating to the annual and special meeting of our shareholders held on April 24, 2003, excluding those portions thereof which appear under the headings "Report on Executive Compensation", "Performance Graph" and "Statement of Corporate Governance Practices" (which portions shall be deemed not to be incorporated by reference in this prospectus supplement or the accompanying prospectus);
- our unaudited interim consolidated financial statements for the six month period ended June 30, 2003 and the nine month period ended September 30, 2003 (including Management's Discussion and Analysis for those periods); and
- U.S. Oil & Gas Data which is Exhibit 1 to our December 31, 2002 Annual Report on Form 40-F.



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**SUNCOR ENERGY INC.**

We are an integrated energy company headquartered in Calgary, Alberta, Canada. Our Oil Sands operations, located near Fort McMurray, Alberta, extract and upgrade oil sands and market refinery feedstock and diesel fuel, while our Natural Gas operations, located throughout western Canada, produce and market natural gas throughout North America. We also operate an Energy Marketing and Refining business in Ontario, Canada with retail distribution under the Sunoco brand. On August 1, 2003, we acquired downstream assets in the United States, including refining and pipeline assets in Colorado and Wyoming and retail distribution assets in the Denver, Colorado area under the Phillips 66 brand. We are also committed to investing in renewable energy for the future.

We have an integrated business strategy that is centered on developing the resources of the Athabasca oil sands located in northeastern Alberta. Our natural gas production provides a price hedge for our natural gas consumption at our Oil Sands operations. Our crude oil products are marketed through a combination of long-term and short-term contracts and retail operations controlled by us.

In 2002, we produced approximately 240,000 barrels of oil equivalent per day comprised of approximately 210,000 barrels per day of crude oil and natural gas liquids and 179 million cubic feet of natural gas. In 2002, our Ontario downstream operations had sales of approximately 91,000 barrels per day of refined products.

Our registered and principal office is located at 112 - 4th Avenue S.W., P.O. Box 38, Calgary, Alberta, Canada T2P 2V5.

**Oil Sands**

We began our first commercial production of crude oil from oil sands in 1967. We produce a variety of refinery feedstock by mining the Athabasca oil sands and upgrading the bitumen extracted at our plant near Fort McMurray, Alberta.

In 2001, we completed construction of Project Millennium, the expansion of our plant near Fort McMurray, Alberta. Our Oil Sands operations currently have a design capacity of 225,000 barrels of oil per day. We currently plan to further expand our Oil Sands operations and expect to increase production capacity to 260,000 barrels per day in 2005 by developing our in-situ oil sands project on our Firebag leases and adding a vacuum unit to the Project Millennium upgrader. In April 2003, we announced plans to increase our production capacity to 330,000 barrels per day by late 2007 by expanding our Firebag in-situ project and upgrading facilities. Our Voyageur growth strategy entails a

multi-phased plan intended to increase production to between 500,000 and 550,000 barrels per day by 2010 to 2012. Implementation of Voyageur will require favourable fiscal and market conditions, approval from our board of directors and receipt of all necessary regulatory approvals.

**Natural Gas and Renewable Energy**

Our Natural Gas operations, based in Calgary, Alberta, explore for, develop and produce conventional natural gas in western Canada, supplying it to markets throughout North America. Natural gas and natural gas liquids account for approximately 95% of the production from our conventional oil and gas business. Our natural gas production provides a price hedge for our natural gas consumption at our Oil Sands operations. Our long-term strategy for our Natural Gas business is to increase production to offset growing internal demands for natural gas at our other integrated businesses.

**Energy Marketing and Refining Canada**

Our Canadian Energy Marketing and Refining business (EM&R) operates a refining and marketing business located primarily in Ontario. Our refinery in Sarnia, Ontario, refines petroleum feedstock from Oil Sands and other sources into gasoline, distillates and petrochemicals. The majority of these products are distributed within Ontario.



The Sarnia refinery is capable of refining approximately 70,000 barrels of crude oil per day. During the fourth quarter of 2003, we completed the installation of a gasoline desulphurization unit that we expect will enable us to produce gasoline with a sulphur content less than 30 parts per million, ahead of the legislated deadline of January 1, 2005. Subject to regulatory approval, we expect to begin construction in 2004 on diesel desulphurization facilities that are intended to enable us to meet a diesel sulphur limit content of a maximum of 15 parts per million by June 1, 2006 for use in on-road vehicles.

In 2002, approximately 62% of EM&R's total sales volumes averaging approximately 91,000 barrels per day (14,500 cubic metres per day) were marketed through retail networks including our Sunoco retail distribution network, joint-venture operated retail stations and cardlock operations. The balance of EM&R's sales were primarily to industrial, commercial, wholesale and refining customers. EM&R's share of total refined product sales in its primary market of Ontario was approximately 17% in 2002.

**Refining and Marketing United States**

On August 1, 2003, we acquired a refinery and retail assets in the Denver, Colorado area and related pipeline assets. We expect the acquisition will provide us with the flexibility to move additional Oil Sands production into the United States. See "Recent Developments Acquisition of Marketing and Refining United States".

## RECENT DEVELOPMENTS

**Third Quarter Results**

On October 30, 2003, we reported our third quarter financial and operating results by press release. Our unaudited interim consolidated financial statements and management's discussion and analysis of financial condition and results of operations for the three and nine month periods ended September 30, 2003 were filed with securities regulatory authorities and are incorporated by reference in this prospectus supplement.

Net earnings for the nine month period ended September 30, 2003 increased to $784 million from $503 million for the same period of 2002.

For the nine months ended September 30, 2003, we produced approximately 245,000 barrels of oil equivalent per day, comprised of approximately 214,000 barrels per day of crude oil and natural gas liquids and 184 million cubic feet per day of natural gas. For the same period, our Ontario downstream operations sold approximately 92,000 barrels per day of refined products. From August 1, 2003 to September 30, 2003, our United States downstream operations sold approximately 62,000 barrels per day of refined products.

Oil Sands crude oil production for the nine months ended September 30, 2003 averaged 210,300 barrels per day. Production levels for this period were impacted by a one month planned maintenance shutdown.

Our interim consolidated financial statements for the three and nine month periods ended September 30, 2003 have been prepared in accordance with Canadian GAAP, which differ from U.S. GAAP. Adjustments under U.S. GAAP will result in changes to our consolidated statements of earnings and consolidated balance sheets. As required pursuant to applicable securities laws, we have prepared a U.S. GAAP reconciliation for the six month period ended June 30, 2003. You should refer to the "U.S. GAAP Reconciliation Note" beginning on page F-1 of this prospectus supplement. For a further discussion of the principal differences between Canadian GAAP and U.S. GAAP, you should refer to note 19 to our audited consolidated financial statements for the year ended December 31, 2002 incorporated by reference in this prospectus supplement.

Additional information relating to our third quarter results is included in this prospectus supplement under the heading "Selected Financial and Operating Information".

**Acquisition of Marketing and Refining United States**

On August 1, 2003, we acquired assets in Denver, Colorado from ConocoPhillips, including a 60,000 barrel per day refinery, 43 Phillips 66-branded retail gas stations, associated storage, pipeline and distribution facilities, and contract agreements with more than 150 Phillips 66-branded marketer outlets



throughout the state of Colorado. The pipeline systems we acquired are comprised of the 483 kilometre (300 mile) Rocky Mountain pipeline system and the 140 kilometre (87 mile) Centennial pipeline system, of which we acquired a 100% and 65% undivided interest, respectively. We paid U.S.$150 million for the ConocoPhillips assets, plus the cost of crude oil, product inventories and other closing adjustments.

In addition to the purchase price, we also intend to spend approximately U.S.$175 million to U.S.$225 million between 2003 and 2006 (based on preliminary engineering analysis) to meet new low sulphur fuels legislation and enable the refinery to integrate some of our Oil Sands sour crude blends. In addition, as part of the acquisition we assumed obligations to spend between U.S.$25 million to U.S.$30 million between 2003 and 2006 on air emission control capital upgrades in accordance with agreements with the United States Environmental Protection Agency and the State of Colorado. After 2006, we expect to have the potential to integrate as much as 50,000 barrels per day of Oil Sands crude into the refinery, including 15,000 to 20,000 barrels per day of Oil Sands sour crude.

## USE OF PROCEEDS

We estimate the net proceeds from this offering will be U.S.$492,180,000, after deducting underwriting commission of U.S.$4,375,000 and estimated expenses payable by us of approximately U.S.$500,000. We currently intend to use the net proceeds to repay our 7.40% Debentures maturing in February 2004 and to fund our planned redemption of our 9.05% and 9.125% Preferred Securities in March 2004. Pending such uses, we will initially use a portion of the net proceeds received by us to repay commercial paper borrowings and the remaining net proceeds will be invested in short-term marketable securities.

## INTEREST COVERAGE

The following adjusted interest coverage ratios, which have been prepared in accordance with Canadian securities requirements, are included in this prospectus supplement in accordance with Canadian disclosure requirements.

The following consolidated financial ratios are calculated for the twelve month periods ended December 31, 2002 and September 30, 2003, derived from our audited, in the case of December 31, 2002, and our unaudited, in the case of September 30, 2003, consolidated financial statements and give effect to all of our long-term debt then outstanding. The adjusted financial ratios give effect to the issuance of the notes offered by this prospectus supplement and the initial application of the net proceeds to repay commercial paper borrowings as described under "Use of Proceeds". The adjusted interest coverage ratios set forth below do not purport to reflect the actual interest coverage ratios that would have occurred on the foregoing dates, nor to be indicative of interest coverage ratios for any future periods. The ratios have been calculated based on Canadian GAAP.

| | December 31, 2002 | September 30, 2003 |
|---|---|---|

| | December 31, 2002 | September 30, 2003 |
|---|---|---|
| Interest coverage ratios on long-term debt: | | |
| Earnings | 7.2 times | 11.4 times |

Interest coverage on long-term debt on an earnings basis is equal to net earnings before interest expense on long-term debt and income taxes divided by interest expense and capitalized interest. For purposes of calculating the interest coverage ratios set forth in this prospectus supplement, long-term debt includes the current portion of long-term debt and amounts with respect to notes that will be issued under this prospectus supplement.

The interest coverage ratios have been calculated without including the annual carrying charges relating to our issue of 9.05% preferred securities and 9.125% preferred securities (collectively, the "Preferred Securities"). Under U.S. GAAP, the Preferred Securities would be classified as long-term debt, and the



annual carrying charges would be included in interest expense. If these annual carrying charges had been included in the calculations, our interest coverage ratios would have been as follows:

| | December 31, 2002 | September 30, 2003 |
|---|---|---|
| Interest coverage ratios on long-term debt: | | |
| Earnings | 5.7 times | 9.1 times |

## CONSOLIDATED CAPITALIZATION

The following table summarizes our cash and cash equivalents, short-term debt and consolidated capitalization as at September 30, 2003, both actual and as adjusted to give effect to the issuance of the notes offered by this prospectus supplement and the repayment of commercial paper borrowings as described under "Use of Proceeds". You should read this table together with our unaudited interim consolidated financial statements for the nine month period ended September 30, 2003 which are incorporated by reference in this prospectus supplement. All U.S. dollar amounts in the following table have been converted to Canadian dollars using the Federal Reserve Bank of New York noon buying rate on September 30, 2003 of U.S.$0.7404 per $1.00.

| | September 30, 2003 | |
|---|---|---|
| | Actual | As Adjusted |
| | (unaudited) (in millions) | |
| **Cash and cash equivalents** | $ 62 | $ 202 |
| **Short-term debt**[1] | $ 7 | $ 7 |
| **Long-term debt** | | |
| Unsecured revolving credit facilities[2] | $ | $ |
| Commercial paper[3] | 525 | |
| Debentures and notes | | |
| 7.40% unsecured debentures, Series C, due 2004[4] | 125 | 125 |
| 6.80% unsecured medium term notes, due 2007 | 250 | 250 |
| 6.10% unsecured medium term notes, due 2007 | 150 | 150 |

| | September 30, 2003 | |
|---|---|---|
| 6.70% unsecured medium term notes, due 2011 | 500 | 500 |
| 7.15% U.S.$ notes, due 2032 (U.S.$500) | 675 | 675 |
| Capital leases | 128 | 128 |
| Joint venture borrowings[5] | 5 | 5 |
| Notes offered hereby (U.S.$500) | | 675 |
| **Total long-term debt** | $ 2,358 | $ 2,508 |
| **Shareholders' equity** | | |
| 9.05% Cdn.$ Preferred Securities[6] | 271 | 271 |
| 9.125% U.S.$ Preferred Securities (U.S.$163)[6] | 214 | 214 |
| Share capital | 592 | 592 |
| Contributed surplus | 5 | 5 |
| Cumulative foreign currency translation | (12) | (12) |
| Retained earnings | 3,087 | 3,087 |
| **Total shareholders' equity** | $ 4,157 | $ 4,157 |
| **Total capitalization** | $ 6,515 | $ 6,665 |

(1) Our short-term debt was outstanding under our $30 million uncommitted bank credit facilities. Subsequent to September 30, 2003, we repaid our short-term debt.

(2) We have committed unsecured revolving term credit facilities totalling $1,700 million, of which $750 million has a term period of three years expiring in 2006 and $950 million is fully revolving for 364 days and has a term period of one year, expiring in 2005. Amounts available under the credit facilities are extendable annually, at each lender's option.



(3) Our commercial paper program is supported by the long-term bank credit facilities and, accordingly, our commercial paper is classified as long-term debt.

(4) We currently plan to repay these debentures in February 2004 when they become due with a portion of the net proceeds of this offering.

(5) This is debt of our subsidiaries related to our joint venture operations.

(6) Under U.S. GAAP, our 9.05% Cdn.$ Preferred Securities and our 9.125% U.S.$ Preferred Securities would be classified as long-term debt rather than shareholders' equity. The balances of such securities are net of associated offering costs. We currently plan to redeem these Preferred Securities with a portion of the net proceeds of this offering.

## SELECTED FINANCIAL AND OPERATING INFORMATION

### Selected Consolidated Financial Information

We have derived the following selected consolidated financial information as at and for the years ended December 31, 2000, 2001 and 2002 from our audited consolidated financial statements which have been audited by PricewaterhouseCoopers LLP. We have derived the following selected consolidated financial information for the nine months ended September 30, 2002 and 2003 from our unaudited interim consolidated financial information. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial information for such periods. Our historical results are not necessarily indicative of the results that may be expected for any future period.

Our consolidated financial statements are prepared in accordance with Canadian GAAP, which differs in certain respects from U.S. GAAP. You should read the selected consolidated financial information in conjunction with our audited financial statements and the related notes, our unaudited interim consolidated financial statements and the related notes incorporated by reference in this prospectus supplement, the "U.S. GAAP Reconciliation Note" beginning on page F-1 of this prospectus supplement and other information included in the documents incorporated by reference in this prospectus supplement and the prospectus.

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2002 | 2003 |
| | | | (in millions) | | |
| **Income statement items:** | | | | | |
| Revenues[(1)] | $ 3,484 | $ 4,294 | $ 5,032 | $ 3,623 | $ 4,668 |
| Net earnings | 377 | 388 | 761 | 503 | 784 |
| **Balance sheet items (at period end):** | | | | | |
| Cash and cash equivalents | $ 21 | $ 1 | $ 15 | $ 1 | $ 62 |
| Total assets | 6,833 | 8,094 | 8,683 | 8,432 | 9,760 |
| Long-term and short-term debt | 2,257 | 3,144 | 2,686 | 2,967 | 2,365 |
| Shareholders' equity | 2,471 | 2,780 | 3,458 | 3,224 | 4,157 |
| **Other financial data:** | | | | | |
| EBITDA[(2)] | $ 1,103 | $ 1,091 | $ 1,842 | $ 1,246 | $ 1,796 |

(1) Pursuant to Canadian GAAP, effective January 2003 transportation costs billed to customers are classified as revenues. Prior period amounts have been reclassified for comparative purposes.

(2) The term EBITDA, as used in this prospectus supplement, represents net earnings before financing expenses, provision for income taxes, project start-up costs, restructuring costs, write-off of oil shale assets, gain on disposal of assets, gain on sale of retail natural gas marketing business, exploration expenses and depreciation, depletion and amortization expense. EBITDA does not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other companies. EBITDA is presented because it is frequently used by investors to evaluate a company's operating performance. We believe that EBITDA, while providing useful information, should not be considered in isolation or as a substitute



for net earnings as an indicator of operating performance or as an alternative to cash flow from operating activities as a measure of liquidity. EBITDA is calculated from and reconciled to net earnings as follows:

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2002 | 2003 |
| | | | (in millions) | | |
| Net earnings | $ 377 | $ 388 | $ 761 | $ 503 | $ 784 |

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| Add: | | | | | |
| Financing expenses | 8 | 16 | 124 | 96 | (46) |
| Provision for income taxes | 243 | 125 | 383 | 245 | 557 |
| Project start-up costs | 15 | 141 | 3 | 2 | 12 |
| Restructuring | 65 | (2) | | | |
| Write-off of oil shale assets | 125 | 48 | | | |
| (Gain) on disposal of assets | (148) | (7) | (2) | (1) | (4) |
| (Gain) on sale of retail natural gas marketing business | | | (38) | (37) | |
| Exploration | 53 | 22 | 26 | 15 | 41 |
| Depreciation, depletion and amortization | 365 | 360 | 585 | 423 | 452 |
| EBITDA | $ 1,103 | $ 1,091 | $ 1,842 | $ 1,246 | $ 1,796 |

**Selected Historical Operating Information**

The following table sets forth certain historical operating information for us and our subsidiaries for the periods indicated.

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2002 | 2003 |
| **Oil Sands** | | | | | |
| Daily production (bbl) | 113,900 | 123,200 | 205,800 | 198,400 | 210,300 |
| Average sales price ($ per bbl) | | | | | |
| Before hedging | $ 41.29 | $ 34.21 | $ 36.94 | $ 36.09 | $ 41.67 |
| After hedging | $ 31.67 | $ 29.17 | $ 33.65 | $ 33.08 | $ 38.52 |
| **Natural Gas**[(1)(2)] | | | | | |
| Daily Production | | | | | |
| Natural gas (mmcf) | 200 | 177 | 179 | 178 | 184 |
| Average sales price | | | | | |
| Natural gas ($ per mcf) | | | | | |
| Before hedging | $ 4.73 | $ 6.12 | $ 3.91 | $ 3.57 | $ 6.74 |
| After hedging | $ 4.72 | $ 6.09 | $ 3.91 | $ 3.57 | $ 6.73 |
| **EM&R Canada** | | | | | |
| Refined product sales (cubic metres per day) | 14,600 | 14,800 | 14,500 | 14,200 | 14,600 |
| Utilization of refinery capacity | 98% | 92% | 95% | 91% | 98% |
| Refining margins (cents per litre)[(3)] | 5.9 | 5.7 | 4.8 | 4.2 | 6.3 |
| Retail margins (cents per litre) | 6.6 | 6.6 | 6.6 | 6.6 | 6.7 |

(1) In this table, "bbl" means barrels, "mcf" means thousand cubic feet and "mmcf" means million cubic feet.

(2) All figures are gross before royalties.

(3) All amounts include the impact of hedging activities, as applicable.

**Reserve Reconciliation**

On an annual basis we engage Gilbert Laustsen Jung Associates Ltd. ("GLJ"), independent petroleum consultants to either audit (Oil Sands mining leases) or conduct independent evaluations (Firebag in-situ and Natural Gas conventional leases) of our reserve estimates. The accuracy of any reserve estimate is a matter of interpretation and judgment and is a function of the quality and quantity of available data gathered over time.

| | Oil Sands Mining Leases (millions of barrels of gross synthetic crude oil) | | | Firebag In-situ Leases (millions of barrels of gross synthetic crude oil) | | | Total Mining and In-situ | Natural Gas Leases (billions of gross cubic feet) |
|---|---|---|---|---|---|---|---|---|
| | Proved | Probable | Proved + Probable | Proved | Probable | Proved + Probable | Proved + Probable | Proved |
| December 31, 2000 | 422 | 2,034 | 2,456 | | | | 2,456 | 797 |
| Additions | | | | | 1,664 | 1,664 | 1,664 | 27 |
| Revisions | (1) | (5) | (6) | | | | (6) | (3) |
| Production | (45) | | (45) | | | | (45) | (65) |
| Dispositions | | | | | | | | (1) |
| December 31, 2001 | 376 | 2,029 | 2,405 | | 1,664 | 1,664 | 4,069 | 755 |
| Additions | 3 | 45 | 48 | 144 | 32 | 176 | 224 | 53 |
| Revisions | 54 | (511) | (457) | | | | (457) | (35) |
| Production | (75) | | (75) | | | | (75) | (65) |
| Dispositions | | | | | | | | (2) |
| December 31, 2002 | 358 | 1,563 | 1,921 | 144 | 1,696 | 1,840 | 3,761 | 706 |

(1) In GLJ's audits or evaluations of our mining and in-situ leases, GLJ stated they believe there is a 90% probability and 50% probability that proved and probable reserves estimates, respectively, would be exceeded. Accordingly, our probable oil sands reserves were not further reduced for risk associated with obtaining production from such reserves. GLJ's mining and in-situ reserves estimates considered recovery from leases for which regulatory approvals had been granted, and were stated before the deduction of Crown and other royalties. We reported, for these periods, our proved and probable reserves in accordance with Canadian disclosure requirements in effect at that time. The terms "proved" and "probable" reserves have the meanings ascribed to them in National Policy 2B of the Canadian Securities Administrators. U.S. companies are prohibited from disclosing estimates of probable reserves for non-mining properties in filings with the Securities and Exchange Commission. As a result, our reserve estimates may not be comparable to those made by U.S. companies. For additional differences between Canadian and U.S. standards of reporting reserves, see "Where You Can Find More Information" and "Risk Factors The differences in U.S. and Canadian practices for reporting reserves and production may make it difficult for you to compare us to U.S. companies" in the accompanying prospectus.



**DESCRIPTION OF THE NOTES**

The following description of the terms of the notes (referred to in the prospectus as the "debt securities") is in addition to, and to the extent inconsistent therewith replaces, the description set forth under "Description of Debt Securities" in the prospectus and should be read in

conjunction with such description. In this section only, "we", "us", "our" or "Suncor" refers only to Suncor Energy Inc. and not any of its subsidiaries and joint venture investments. Capitalized terms used but not defined in this prospectus supplement have the meanings ascribed to them in the prospectus.

**General**

The notes initially will be issued in an aggregate principal amount of U.S.$500,000,000. The notes will mature on December 1, 2034. The notes will bear interest at the rate of 5.95% per annum. Interest will be payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2004, to the persons in whose names the notes are registered at the close of business on the preceding May 15 or November 15, respectively.

The notes will be our direct unsecured obligations and will rank equally and ratably with all of our other unsubordinated and unsecured indebtedness. We conduct a substantial portion of our operations through subsidiaries. The notes will be effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. At September 30, 2003, our subsidiaries had approximately $550 million of indebtedness and other liabilities.

Payment of the principal, premium, if any, and interest on the notes will be made in United States dollars.

The provisions of the Indenture relating to the payment of Additional Amounts in respect of withholding taxes in certain circumstances (described under the caption "Description of Debt Securities Additional Amounts" in the prospectus) and the provisions of the Indenture relating to the redemption of notes in the event of specified changes in withholding tax law on or after the date of this prospectus supplement (described under the caption "Description of Debt Securities Tax Redemption" in the prospectus) will apply to the notes.

We may from time to time without notice to, or the consent of, the holders of the notes, create and issue additional notes under the Indenture, equal in rank to the notes, in all respects (except for the payment of interest accruing prior to the issue date of the new notes, and except for the first payment of interest following the issue date of the new notes) so that the new notes may be consolidated and form a single series with the notes, and have the same terms as to status, redemption and otherwise as the notes.

The notes will not be entitled to the benefit of any sinking fund. We may issue debt securities and incur additional indebtedness other than through the offering of notes pursuant to this prospectus supplement.

**Optional Redemption**

The notes will be redeemable, in whole or in part, at our option at any time at a redemption price equal to the greater of:

- 100% of the principal amount of the notes to be redeemed, and

- as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (not including any portion of the payments of interest accrued as of the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined below) plus 15 basis points,

plus accrued interest thereon to the date of redemption.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of the notes to be redeemed.



Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions of the notes called for redemption.

"*Adjusted Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue

(expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the redemption date.

"*Comparable Treasury Issue*" means the United States Treasury security or securities selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

"*Comparable Treasury Price*" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Quotation Agent*" means one of the Reference Treasury Dealers, which is appointed by the Trustee after consultation with us.

"*Reference Treasury Dealer*" means (A) each of Citigroup Global Markets Inc., J.P. Morgan Securities Inc. or their affiliates and three others which are primary U.S. Government securities dealers and their respective successors; *provided, however*, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York (a "Primary Treasury Dealer"), we shall substitute for it another Primary Treasury Dealer; and (B) any other Primary Treasury Dealers selected by the Trustee after consultation with us.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 3:30 p.m. (New York time) on the third business day preceding such redemption date.

**Book-Entry System**

The Depository Trust Company (hereinafter referred to as the "Depositary") will act as securities depository for the notes. The notes will be issued as fully registered securities registered in the name of Cede & Co. (the Depositary's nominee) or such other name as may be requested by an authorized representative of the Depositary. One or more fully registered global notes (hereinafter referred to as the "global notes") will be issued for the notes, in the aggregate principal amount of the issue, and will be deposited with the Depositary. The provisions set forth under "Description of Debt Securities Global Securities" in the prospectus will be applicable to the notes.

The following is based on information furnished by the Depositary:

The Depositary is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. The Depositary holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that the Depositary's participants ("Direct Participants") deposit with the Depositary. The Depositary also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations,



and certain other organizations. The Depositary is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of the Depositary and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the Depositary's system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Depositary's Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of notes under the Depositary's system must be made by or through Direct Participants, which will receive a credit for the notes on the Depositary's records. The ownership interest of each actual purchaser of the notes ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from the Depositary of their purchases.

Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive notes in definitive form representing their ownership interests, except in the event that use of the book-entry system for the notes is discontinued or upon the occurrence of certain other events described in the prospectus.

To facilitate subsequent transfers, the notes which are deposited with the Depositary are registered in the name of the Depositary's nominee, Cede & Co., or such other name as may be requested by an authorized representative of the Depositary. The deposit of the notes with the Depositary and its registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. The Depositary has no knowledge of the actual Beneficial Owners of the notes; the Depositary's records reflect only the identity of the Direct Participants to whose accounts the notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the Depositary to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to the Depositary. If less than all of the notes are being redeemed, the Depositary's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither the Depositary nor Cede & Co. (nor any other Depositary nominee) will consent or vote with respect to the notes unless authorized by a Direct Participant in accordance with DTCC's procedures. Under its usual procedures, the Depositary mails an "omnibus proxy" to us as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants whose accounts the notes are credited on the applicable record date (identified in a listing attached to the omnibus proxy).

Redemption proceeds, principal, premium, if any, and interest payments on the notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of the Depositary. The Depositary's practice is to credit Direct Participants' accounts upon the Depositary's receipt of funds and corresponding detail information from us or the Trustee, on payment date in accordance with their respective holdings shown on the Depositary's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with notes held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of the Depositary, the Trustee or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, premium, if any, and interest to



Cede & Co., or such other nominee as may be requested by an authorized representative of the Depositary, is our responsibility or the responsibility of the Trustee, disbursement of these payments to Direct Participants will be the responsibility of the Depositary, and disbursement of these payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Depositary may discontinue providing its services as depository with respect to the notes at any time by giving reasonable notice to us or the Trustee. Under these circumstances, and in the event that a successor depository is not obtained, notes in definitive form are required to be printed and delivered.

We may decide to discontinue use of the system of book-entry transfers through the Depositary (or a successor depository). In that event, notes in definitive form will be printed and delivered.

The information in this section concerning the Depositary and the Depositary's system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

**CREDIT RATINGS**

The notes have received ratings of "A3" by Moody's Investors Service, Inc. ("Moody's"), "A-" by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P") and "A (low)" by Dominion Bond Rating Service Limited ("DBRS"). Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities.

Moody's credit ratings are on a long-term debt rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. A rating of A3 by Moody's is the third highest of nine categories and is assigned to debt securities which are considered upper-medium grade obligations and are subject to low credit risk. Moody's appends numerical modifiers 1, 2 or 3 to each generic rating classification. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of A- by S&P is the third highest of eleven categories and indicates that the obligor is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within a particular rating category.

DBRS' credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of A (low) by DBRS is the third highest of nine categories and is assigned to debt securities considered to be of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than with AA rated entities. Entities in the A category may be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher rated companies. The assignment of a "(high)" or "(low)" modifier within each rating category indicates relative standing within such category. The "high" and "low" grades are not used for the AAA category.

The credit ratings accorded to the notes by the rating agencies are not recommendations to purchase, hold or sell the notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Any rating may not remain in effect for any given period of time or may be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant, and if any such rating is so revised or withdrawn, we are under no obligation to update this prospectus supplement.



## CERTAIN INCOME TAX CONSEQUENCES

**The following summary is of a general nature only and is not intended to be, and should not be construed to be, legal or tax advice to any prospective investor and no representation with respect to the tax consequences to any particular investor is made. Accordingly, prospective investors should consult with their own tax advisors for advice with respect to the income tax consequences to them having regard to their own particular circumstances, including any consequences of an investment in the notes arising under state, provincial or local tax laws in the United States or Canada or tax laws of jurisdictions outside the United States or Canada.**

### Certain Canadian Federal Income Tax Considerations

In the opinion of Blake, Cassels & Graydon, LLP, Calgary, Alberta, Canada, our Canadian counsel, the following summary addresses the material Canadian federal income tax considerations of purchasing, owning and disposing of the notes to an initial purchaser of notes under this offering (a "Holder") who, for the purposes of the *Income Tax Act* (the "ITA"), deals at arm's length with Suncor Energy Inc. at all relevant times, is a non-resident of Canada, holds the notes as capital property, and does not use or hold, and is not deemed to use or hold, the notes in connection with a business carried on in Canada. For the purposes of the ITA, related persons (as defined therein) are deemed not to deal at arm's length and it is a question of fact whether persons not related to each other deal at arm's length.

This summary is based on the current provisions of the ITA and the regulations thereunder, the understanding of Blake, Cassels & Graydon LLP of the current assessing and administrative practices of the Canada Customs and Revenue Agency (the "CCRA") and all specific proposals to amend the ITA and the regulations thereunder publicly announced by the Minister of Finance (Canada) before the date of this prospectus supplement. This summary does not otherwise take into account or anticipate changes in the law or in the assessment and administrative practices of the CCRA, whether by judicial, governmental or legislative decision or action nor does it take into account tax legislation or considerations of any province or territory of Canada or any jurisdiction other than Canada. This summary is of a general nature only and is not intended to be, and should not be interpreted as, legal or tax advice to any particular Holder of notes.

The payment of interest, premium, if any, and principal in respect of the notes by Suncor Energy Inc. to a Holder will not be subject to non-resident withholding tax under the ITA. No other tax on income (including capital gains) will be payable by a Holder under the ITA in respect of the holding, repayment, redemption or disposition of the notes, or the receipt of interest, premium, if any, or principal thereon, except that in certain circumstances, a Holder who is a non-resident insurer carrying on business in Canada, and elsewhere, may be subject to taxes under the ITA.

**Certain U.S. Federal Income Tax Considerations**

The following summary describes certain U.S. federal income tax consequences that may be relevant to the purchase, ownership and disposition of notes by U.S. persons (as defined below) who purchase notes in this offering at the issue price set forth on the cover of this prospectus supplement and who hold the notes as capital assets ("U.S. Holders") within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). This discussion does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to particular holders in light of their particular circumstances nor does it deal with persons that are subject to special tax rules, such as dealers in securities or currencies, financial institutions, insurance companies, tax-exempt organizations, persons holding the notes as a part of a straddle, hedge, or conversion transaction or a synthetic security or other integrated transaction, U.S. Holders whose "functional currency" is not the U.S. dollar, and holders who are not U.S. Holders. In addition, this summary does not address the tax consequences applicable to subsequent purchasers of the notes, nor does it discuss any aspect of state, local or foreign tax law. Furthermore, the discussion below is based upon the provisions of the Code and U.S. Treasury regulations, rulings and judicial decisions under the Code as of the date of this prospectus supplement, and those authorities may be repealed, revoked or modified (possibly with retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed



below. There can be no assurance that the Internal Revenue Service (the "IRS") will take a similar view as to any of the tax consequences described in this summary.

**Persons considering the purchase, ownership or disposition of notes should consult their own tax advisors concerning the U.S. federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any state or of any local or foreign taxing jurisdiction.**

As used in this section, the term "U.S. person" means a beneficial owner of a note that is (i) a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any political subdivision of the United States, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust, if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (B) the trust has validly made an election to be treated as a U.S. person under applicable U.S. Treasury regulations.

If a partnership holds a note, the U.S. federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. A U.S. Holder that is a partner of the partnership holding a note should consult its own tax advisors.

***Payments of Interest***

Interest on a note will generally be includible by a U.S. Holder as ordinary income at the time the interest is paid or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes. In addition to interest on the notes, if any additional amounts are paid on account of Canadian withholding taxes, a U.S. Holder would be required to include such additional amounts in income. As a result, a U.S. Holder may be required to include more in gross income than the amount of cash it actually receives. A U.S. Holder may be entitled to deduct or credit foreign withheld tax, subject to applicable limitations in the Code. For U.S. foreign tax credit purposes, interest income on a note generally will constitute foreign source income and be considered "passive income" or "financial services income". If the applicable rate of Canadian withholding tax is 5% or more, interest on the notes will be treated as "high withholding tax interest". The rules governing the foreign tax credit are complex and investors are urged to consult their tax advisors regarding the availability of the credit under their particular circumstances.

***Sale, Exchange or Retirement of the Notes***

Upon the sale, exchange or retirement of a note, a U.S. Holder generally will recognize a taxable gain or loss equal to the difference between the amount realized (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as ordinary income) and the U.S. Holder's adjusted tax basis in the note. Such gain or loss generally will constitute a long-term capital gain or loss if the note was held by such U.S. Holder for more than one year and otherwise will be short-term capital gain or loss. Under current law, net capital gains of non-corporate taxpayers (including individuals) generally are taxed at lower rates than items of ordinary income. The deductibility of capital losses is subject to limitations. In the case of a U.S. Holder who is a U.S. resident (as defined in Section 865 of the Code), any such gain or loss will be treated as U.S. source, unless it is attributable to an office or other fixed place of business outside the United States and certain other conditions are met.

***Backup Withholding and Information Reporting***

In general, information reporting requirements will apply to payments of principal and interest on the notes and payments of the proceeds of sales made within the United States (and, in certain cases, outside the United States) to U.S. Holders other than certain exempt recipients (such as corporations). In addition, a backup withholding tax, currently at a rate of 28%, may apply to such payments if such a U.S. Holder fails to provide an accurate taxpayer identification number or otherwise fails to comply with applicable requirements of the backup withholding rules. Any amount withheld under the backup withholding rules will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability or will be refundable to the extent it exceeds such liability. A U.S. Holder who does not provide a correct taxpayer identification number may be subject to penalties imposed by the IRS.



**UNDERWRITING**

We intend to offer the notes through the underwriters. Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. are acting as representatives of the underwriters named below. Subject to the terms and conditions contained in the underwriting agreement dated the date hereof between us and the underwriters, we have agreed to sell to the underwriters and the underwriters severally have agreed to purchase from us, the principal amount of the notes listed opposite their names below.

| Underwriters | | Principal Amount of Notes |
| --- | --- | --- |
| Citigroup Global Markets Inc. | U.S.$ | 125,000,000 |
| J.P. Morgan Securities Inc. | | 125,000,000 |
| CIBC World Markets Corp. | | 50,000,000 |
| RBC Dominion Securities Corporation | | 50,000,000 |
| Scotia Capital (USA) Inc. | | 50,000,000 |
| BNP Paribas Securities Corp. | | 30,000,000 |
| Harris Nesbitt Corp. | | 19,000,000 |
| Banc One Capital Markets, Inc. | | 17,000,000 |
| Deutsche Bank Securities Inc. | | 17,000,000 |
| TD Securities (USA) Inc. | | 17,000,000 |
| Total | U.S.$ | 500,000,000 |

In the underwriting agreement, the underwriters have agreed, subject to the terms and conditions set forth therein, to purchase all the notes offered hereby if any of the notes are purchased. In the event of default by an underwriter, the underwriting agreement provides that, in certain circumstances, purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated. The obligations of the underwriters under the underwriting agreement may also be terminated upon the occurrence of certain stated events.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the U.S. Securities Act of 1933, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The notes may not be offered or sold, directly or indirectly, in Canada or to residents of Canada in contravention of the securities laws of any province or territory in Canada. Each underwriter has agreed that it will not, directly or indirectly, offer, sell or deliver any notes purchased by it, in Canada or to residents of Canada in contravention of the securities laws of any province or territory of Canada, and that any selling agreement or similar agreement with respect to the notes will require each dealer or other party thereto to make an agreement to the same effect.

**Commissions and Discounts**

The representatives have advised us that the underwriters propose initially to offer the notes to the public at the public offering price set forth on the cover of this prospectus supplement and to certain dealers at that price less a concession not in excess of 0.50% per note. The

underwriters may allow, and such dealers may reallow, a discount not in excess of 0.25% per note to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed by the underwriters.

The expenses of the offering, not including the underwriting commission, are estimated to be U.S.$500,000 and are payable by us.



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**New Issue of Notes**

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system. We have been advised by the underwriters that they currently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

**NASD Regulation**

All of the underwriters are affiliates of banks which are lenders to us. As a consequence of their participation in the offerings, the underwriters affiliated with such banks will be entitled to share in the underwriting commission relating to the offering of the notes. The decision to distribute the notes hereunder and the determination of the terms of the offering were made through negotiations between us and the underwriters. Although the banks did not have any involvement in such decision or determination, a portion of the proceeds of the offering will be used by us to repay commercial paper borrowings. See "Use of Proceeds". Affiliates of the underwriters may hold a portion of such commercial paper borrowings. As a result, affiliates of the underwriters may receive more than 10% of the net proceeds from the offering of the notes in the form of the repayment of such commercial paper borrowings. Accordingly, the offering of the notes is being made pursuant to Rule 2710(c)(8) of the Conduct Rules of the National Association of Securities Dealers, Inc. Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with this offering, as the offering is of a class of securities rated Baa or better by Moody's rating service or BBB or better by S&P's rating service.

**Price Stabilization and Short Positions**

In connection with the offering, the underwriters are permitted to engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the notes. If the underwriters create a short position in the notes in connection with the offering, i.e., if they sell more notes than are on the cover page of this prospectus supplement, the underwriters may reduce that short position by purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the underwriters makes any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**Relationship Between the Suncor and Certain Underwriters**

Under applicable securities legislation in certain provinces of Canada, we may be considered to be a connected issuer of each of the underwriters as each is a directly or indirectly wholly-owned or majority owned subsidiary or affiliate of a bank which is a lender to us. We have bank credit facilities totalling $1,730 million, which facilities were undrawn at November 21, 2003 (except for $122 million in letters of credit issued by certain lenders). We are currently in compliance with the terms of such credit facilities. None of the lenders were involved in the decision to offer the notes and none will be involved in the determination of the terms of the distribution of the notes. As a consequence of the sale of the notes under this prospectus supplement, each of the underwriters will receive a commission on the principal amount of any notes.



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**LEGAL MATTERS**

Certain legal matters relating to Canadian law will be passed upon for us by Blake, Cassels & Graydon LLP, Calgary, Alberta, Canada. Certain legal matters relating to United States law will be passed upon for us by Shearman & Sterling LLP, Toronto, Ontario, Canada and New York, New York. Certain legal matters relating to United States law will be passed upon for the underwriters by Paul, Weiss, Rifkind, Wharton & Garrison LLP, New York, New York.

The partners and associates of Blake, Cassels & Graydon LLP and Shearman & Sterling LLP as a group beneficially own, directly or indirectly, less than 1% of any class of our securities.

## EXPERTS

The consolidated financial statements incorporated by reference in this prospectus supplement for the years ended December 31, 2002, 2001 and 2000 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP chartered accountants, given on the authority of said firm as experts in auditing and accounting.

Certain information relating to our reserves included and incorporated by reference in this prospectus supplement has, in the case of our Oil Sands mining leases, been calculated by us and audited as of December 31, 2002 by GLJ, independent petroleum engineering consultants retained by us, and has, in the case of our Firebag in-situ and Natural Gas leases, been compiled by us based on an independent evaluation as of December 31, 2002 by GLJ, and has been so included in reliance on the opinion and analysis, respectively, of GLJ, given upon the authority of said firm as experts in engineering. The partners of GLJ as a group beneficially own, directly or indirectly, less than 1% of any class of our securities.



# U.S. GAAP RECONCILIATION NOTE

**RECONCILIATION OF FINANCIAL RESULTS**
**FROM CANADIAN GAAP TO U.S. GAAP**
**For the six month periods ended**
**June 30, 2003 and June 30, 2002**
**(unaudited)**



(unaudited)

The June 30, 2003 Interim Consolidated Financial Statements of Suncor Energy Inc. incorporated by reference herein have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The application of United States GAAP (U.S. GAAP) would have the following effects on earnings and comprehensive income as reported:

| | | **For the six months ended June 30,** | |
|---|---|---|---|
| **($ millions)** | **Notes** | **2003** | **2002** |
| Net earnings as reported, Canadian GAAP | | 489 | 319 |
| Adjustments net of applicable income taxes | | | |
| Derivatives and hedging activities | 1 | (88) | 7 |

| | | For the six months ended June 30, | |
|---|---|---|---|
| Stock-based compensation | 2 | | (12) |
| Preferred securities | 3 | 17 | (6) |
| Accounting for income taxes | 4 | 86 | (10) |
| Asset retirement obligations | 5 | (5) | |
| Cumulative effect of change in accounting principles | 5 | (69) | |
| Net earnings attributable to discontinued operations | 7 | | (50) |
| Net earnings from continuing operations, U.S. GAAP | | 430 | 248 |
| Net earnings from discontinued operations, U.S. GAAP | 7 | | 50 |
| Derivatives and hedging activities, net of income taxes of $30 (2002 $64) | 1 | 64 | (139) |
| Minimum pension liability, net of income taxes of $6 (2002 $1) | 6 | 14 | (3) |
| Comprehensive income, U.S. GAAP | | 508 | 156 |
| PER COMMON SHARE **(dollars)** | | | |
| Net earnings per share from continuing operations | | | |
| Basic | | 0.96 | 0.56 |
| Diluted | | 0.87 | 0.53 |
| Net earnings per share from discontinued operations | | | |
| Basic | | | 0.11 |
| Diluted | | | 0.11 |



The application of U.S. GAAP would have the following effects on the consolidated balance sheets as reported:

| | | June 30, 2003 | | December 31, 2002 | |
|---|---|---|---|---|---|
| **($ millions)** | **Notes** | **As Reported** | **United States GAAP** | **As Reported** | **United States GAAP** |
| Current assets | 1 | 700 | 761 | 722 | 767 |
| Property, plant and equipment, net | 3,5 | 7,981 | 8,232 | 7,641 | 7,674 |
| Deferred charges and other | 1,3,6 | 267 | 322 | 185 | 231 |
| Future income taxes | 1,3,5,6 | 143 | 269 | 135 | 165 |
| Total assets | | 9,091 | 9,584 | 8,683 | 8,837 |
| Current liabilities | 1 | 868 | 1,044 | 797 | 933 |
| Long-term debt | 1,3 | 2,186 | 2,720 | 2,686 | 3,251 |
| Accrued liabilities and other | 5,6 | 267 | 653 | 226 | 306 |
| Future income taxes | 1,3,4,5 | 1,874 | 1,881 | 1,516 | 1,539 |
| Preferred securities | 3 | 486 | | 523 | |
| Share capital | 2 | 585 | 633 | 578 | 626 |
| Contributed surplus | | 3 | 3 | | |
| Retained earnings | | 2,822 | 2,709 | 2,357 | 2,319 |
| Accumulated other comprehensive income | 1,6 | | (59) | | (137) |
| Total liabilities and shareholders' equity | | 9,091 | 9,584 | 8,683 | 8,837 |

| | June 30, 2003 | | December 31, 2002 | |
|---|---|---|---|---|

1. **DERIVATIVE FINANCIAL INSTRUMENTS**

The company accounts for its derivative financial instruments under Canadian GAAP as described in note 5 to the December 31, 2002 Annual Consolidated Financial Statements incorporated by reference herein. Financial Accounting Standards Board Statement (Statement) 133 "Accounting for Derivative Instruments and Hedging Activities", as amended by Statements 138 and 149 (the Standards), establishes U.S. GAAP accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Generally, all derivatives, whether designated in hedging relationships or not, and excluding normal purchases and normal sales, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, changes in the fair value of the derivative and changes in the fair value of the hedged item attributable to the hedged risk are recognized in the Consolidated Statements of Earnings. If the derivative is designated as a cash flow hedge, the effective portions of the changes in fair value of the derivative are initially recorded in other comprehensive income ("OCI") and are recognized in the Consolidated Statements of Earnings when the hedged item is recognized. Accordingly, ineffective portions of changes in the fair value of hedging instruments are recognized in net earnings immediately for both fair value and cash flow hedges. Gains or losses arising from hedging activities, including the ineffective portion, are reported in the same earnings statement caption as the hedged item. Gains or losses from derivative instruments for which hedge accounting is not applied are reported in other income.

**Commodity Price Risk**

Suncor operates in a global industry where the market price of its petroleum and natural gas products is determined based on floating U.S. dollar denominated benchmark indices. The company periodically enters into derivative financial instrument contracts such as forwards, futures, swaps and options to hedge against the potential adverse impact of changing market prices due to changes in the underlying indices. Specifically, the company manages crude price variability by entering into U.S. dollar West Texas



Intermediate (WTI) derivative transactions and has historically, in certain instances, combined U.S. dollar WTI derivative transactions and Canadian/U.S. foreign exchange derivative contracts. As at June 30, 2003 the company had hedged a portion of its forecasted Canadian dollar denominated cash flows subject to U.S. dollar WTI commodity price risk for up to three years. The company had not hedged any portion of the foreign exchange component of these forecasted cash flows.

While the company's current strategic intent is to only manage the exposure relating to changes in the U.S. dollar WTI component of its crude oil sales, U.S. GAAP requires the company to consider all cash flows arising from forecasted Canadian dollar denominated crude oil sales when measuring the ineffectiveness of its cash flow hedges. In periods of significant Canadian/U.S. dollar foreign exchange fluctuations, material hedge ineffectiveness can result from unhedged foreign exchange exposures. This ineffectiveness arises despite the company's assessment that its U.S. dollar WTI hedging instruments are highly effective in achieving offsetting changes in cash flows attributable to its forecasted Canadian dollar denominated crude oil sales. For the six month period ended June 30, 2003, the company recognized $94 million of hedge ineffectiveness relating to forecasted cash flows in 2003, 2004 and 2005 primarily due to foreign exchange fluctuations during the period. The net earnings impact of this ineffectiveness will not be recognized for Canadian GAAP purposes until the related forecasted crude oil sales occur.

**Interest Rate Risk**

The company periodically enters into derivative financial instrument contracts such as interest rate swaps as part of its risk management strategy to minimize exposure to changes in cash flows of interest-bearing debt. At June 30, 2003, the company had interest rate derivatives classified as cash flow hedges maturing in the third quarter of 2003 related to variable rate debt and fair value hedges outstanding for up to eight years relating to fixed rate debt.

During 2001, the company terminated the cross currency interest rate swaps related to the company's Series C 7.4% Debentures. For Canadian GAAP purposes, the resulting gain of $4 million, net of income taxes of $2 million, was deferred and amortized over the term to maturity of the Debentures, resulting in a decrease in interest expense during each of the six month periods ended June 30, 2003 and 2002 of $1 million, net of income taxes of $1 million. For U.S. GAAP purposes, the entire $4 million gain would have been recognized during 2001.

**Non-designated Hedging Instruments**

In 1999, the company sold inventory and subsequently entered into a derivative contract with an option to repurchase the inventory at the end of five years. The company realized an economic benefit as a result of liquidating a portion of its inventory. The derivative did not qualify for hedge accounting as the company does not have purchase price risk associated with the repurchase of the inventory. This derivative does not represent a U.S. GAAP difference as the company records this derivative at fair value for Canadian purposes.

During the fourth quarter of 2001, the company made a payment of $29 million to terminate a long-term natural gas contract. The contract had been designated as a hedge under Canadian GAAP, and the resulting settlement loss of $18 million, net of income taxes of $11 million, was to be deferred and recognized as the hedged item was settled. During 2002, in connection with the sale of the company's retail natural gas marketing business (see note 19(g) to the December 31, 2002 Annual Consolidated Financial Statements incorporated by reference herein), the company disposed of the related hedged item. Accordingly, for Canadian GAAP purposes, the company recognized the entire settlement loss of $18 million during 2002. For U.S. GAAP purposes, the long-term contract would have



been designated as a normal purchase and sale transaction, and the after-tax loss of $18 million would have been recognized in 2001 on the initial settlement of the contract.

During 1999, the company entered into a cross currency interest rate swap related to US$126 million of variable rate debt. Although the swap transaction could have qualified as a fair value hedge of the related foreign currency risk had it been designated as such, the company chose not to designate it. Accordingly, the company has valued the swap at fair value and the debt has been revalued at the rate in effect at the related balance sheet date. Had the swap been designated as a fair value hedge, the net effect on the company's net earnings would have been the same.

**Accumulated OCI and U.S. GAAP Net Earnings Impacts**

A reconciliation of changes in accumulated OCI attributable to derivative hedging activities for the six month periods ended June 30 is as follows:

| | 2003 | 2002 |
|---|---|---|
| | ($ millions) | |
| Accumulated OCI attributable to derivatives and hedging activities, beginning of the period, net of income taxes of $41 (2002 $13) | (89) | 29 |
| Current period net changes arising from cash flow hedges, net of income taxes of $13 (2002 $64) | 28 | (141) |
| Net hedging losses at the beginning of the period reclassified to earnings during the period, net of income taxes of $17 (2002 $2) | 36 | 2 |
| Accumulated OCI attributable to derivatives and hedging activities, end of period, net of income taxes of $12 (2002 $51) | (25) | (110) |

For the period ended June 30, 2003, assets increased by $111 million and liabilities increased by $226 million as a result of recording all derivative instruments at fair value.

The loss associated with realized and unrealized hedge ineffectiveness on derivative contracts designated as cash flow hedges during the period was $110 million, net of income taxes of $51 million (2002 $7 million, net of income taxes of $3 million). The company estimates that $21 million of after-tax hedging losses will be reclassified from OCI to current period earnings within the next 12 months as a result of forecasted sales occurring.

For the six months ended June 30, 2003 U.S. GAAP net earnings would have been reduced by $88 million, net of income taxes of $41 million (2002 increased net earnings of $7 million, net of income taxes of $6 million) to reflect the impact of the above items.

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**2. STOCK-BASED COMPENSATION**

Under Canadian GAAP, compensation expense has not been recognized for common share options granted prior to January 1, 2003, including options issued in connection with both the company's new SunShare long-term incentive plan, as well as those common shares and common share options awarded to employees under the company's previous long-term incentive program that matured April 1, 2002. Under U.S. GAAP, certain of the SunShare options would have been accounted for using the variable method of accounting for employee stock compensation. Further, for U.S. GAAP purposes, compensation expense would have been recognized ratably over the life of the previous long-term incentive program for those options and common shares awarded under that plan. For the six months ended June 30, 2003 U.S. GAAP net earnings would have been reduced by $nil (2002 $12 million) to reflect additional stock-based compensation expense.

As described in Note 5 to the company's June 30, 2003 Interim Consolidated Financial Statements incorporated by reference herein, during 2003 the company adopted a new stock-based compensation accounting policy for Canadian GAAP. The company now expenses the compensation cost of all common share options issued after January 1, 2003 ratably over the estimated vesting period of the respective options. For U.S. GAAP purposes, the company would have adopted Statement 148 in 2003, permitting the company to account for common share options issued after January 1, 2003 in a manner consistent with Canadian GAAP.

Consistent with Canadian GAAP, for U.S. GAAP purposes the company would have continued to disclose pro forma stock-based compensation cost for common stock options awarded prior to January 1, 2003 ("pre-2003 options") as if the fair value method had been adopted. Under U.S. GAAP, had the company accounted for its pre-2003 options using the fair value method (excluding the earnings effect of the SunShare and long-term employee incentive options described above), pro forma net earnings and pro forma basic earnings per share for the six months ended June 30, 2003 would have been reduced by $17 million (2002 $20 million) and $0.04 per share (2002 $0.04), respectively.

**3. PREFERRED SECURITIES**

Under Canadian GAAP, preferred securities are classified as share capital and the interest distributions thereon, net of income taxes, are accounted for as dividends. Under U.S. GAAP, the preferred securities would have been classified as long-term debt and the interest distributions thereon would have been accounted for as financing expenses. Preferred securities denominated in US dollars of US$163 million would have been revalued at the rate in effect at the related balance sheet date, with any foreign exchange gains (losses) recognized in the Consolidated Statements of Earnings. Further, under U.S. GAAP the interest distributions would have been eligible for interest capitalization.

Under Canadian GAAP, issue costs of the preferred securities, net of the related income tax credits, were charged against share capital. Under U.S. GAAP, these issue costs would have been deferred and amortized to earnings over the term of the related long-term debt.

For U.S. GAAP purposes, these differences would have increased net earnings for the six months ended June 30, 2003 by $17 million, including an income tax recovery of $3 million (2002 a reduction to earnings of $6 million, net of income taxes of $8 million).

Under Canadian GAAP, the 2003 interest distributions on the preferred securities for the six months ended June 30, 2003 of $23 million (2002 $24 million) are classified as financing activities in the Consolidated Statements of Cash Flows. Under U.S. GAAP, the interest distributions of $23 million (2002 $24 million) and the amortization of issue costs for the six months ended June 30, 2003 of $2 million (2002 $2 million) would have been classified as operating activities.

The preferred securities, which are publicly traded, had a fair value, based on quoted market prices, of $529 million at June 30, 2003 ($568 million at December 31, 2002).

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**4. INCOME TAXES**

Under Canadian GAAP, changes in tax laws and rates are recognized when they are considered substantially enacted, whereas under U.S. GAAP, changes in tax laws and rates are only considered after they have been enacted into law. The impact of this GAAP difference would have been to increase U.S. GAAP net earnings for the six months ended June 30, 2003 by $86 million (2002 a

decrease to U.S. GAAP net earnings of $10 million).

**5. ASSET RETIREMENT OBLIGATIONS**

On January 1, 2003 the company would have adopted Statement 143 "Accounting for Asset Retirement Obligations" for U.S. GAAP reporting purposes. This statement requires recognition of a liability for the future retirement obligations associated with the company's property, plant and equipment. The fair value of the asset retirement obligations are recorded on a discounted basis as incurred. This amount is capitalized as part of the cost of the related asset and amortized to expense over its useful life. The liability accretes until the company settles the obligation.

For U.S. GAAP purposes, the company's adoption of Statement 143 effective January 1, 2003 would have increased total assets by $320 million, increased total liabilities by $389 million, and decreased net income due to the cumulative effect of a change in accounting principles by $69 million, net of income taxes of $31 million.

Had Statement 143 been applied during all periods presented, the company's asset retirement obligation would have been $376 million at January 1, 2002, $400 million at December 31, 2002 and $414 million at June 30, 2003.

Under Canadian GAAP, net earnings for the six month period ended June 30, 2003 include site restoration and abandonment expense of $7 million, net of income taxes of $4 million (June 30, 2002 $5 million, net of income taxes of $3 million). Under U.S. GAAP, net earnings for the six months ended June 30, 2003 would have reflected accretion expense of $9 million and depreciation, depletion and amortization expense of $3 million (June 30, 2002 accretion expense of $8 million and depreciation, depletion and amortization expense of $3 million), net of taxes of $5 million (June 30, 2002 $5 million). On a pro forma basis, this would have decreased net earnings per common share by $0.01 (June 30, 2002 $0.01). Under U.S. GAAP, at June 30, 2003, the company would have recorded a further increase to total liabilities of $1 million.

The company owns interests in several assets for which the fair value of the asset retirement obligation cannot be reasonably determined because the assets currently have an indeterminate life. The asset retirement obligation for these assets will be recorded in the first period in which the lives of the assets are determinable.

**6. MINIMUM PENSION LIABILITY**

Under U.S. GAAP, recognition of an additional minimum pension liability is required when the accumulated benefit obligation exceeds the fair value of plan assets to the extent that such excess is greater than accrued pension costs otherwise recorded. No such adjustment is required under Canadian GAAP.

Under U.S. GAAP, at June 30, 2003, the company would have recognized a minimum pension liability of $64 million (December 31, 2002 $80 million), an intangible asset of $15 million (December 31, 2002 $10 million) and other comprehensive loss of $34 million, net of income taxes of $15 million (December 31, 2002 $48 million, net of income taxes of $22 million). Other comprehensive income for the six months ended June 30, 2003 would have increased by $14 million, net of income taxes of $6 million (2002 a decrease in other comprehensive income of $3 million, net of income taxes of $1 million).



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**7. DISCONTINUED OPERATIONS**

During 2002, the company disposed of its retail natural gas marketing business for net proceeds of $61 million, and recognized an after-tax gain on sale of $34 million for Canadian GAAP purposes. The retail natural gas marketing business was not considered significant to the company's overall business operations, and was not classified as a business segment for the purposes of discontinued operations reporting. Accordingly, financial results of the retail natural gas marketing business were not segregated from the financial results of the company's other operations prior to the date of disposal of the business.

For U.S. GAAP purposes, the company would have adopted Statement 144 "Accounting for the Impairment and Disposal of Long-Lived Assets" effective January 1, 2002. For the purposes of Statement 144, the retail natural gas marketing business would have been considered a distinguishable component of the company, and reflected as a discontinued operation for the six months ended June 30, 2002. For segmented reporting purposes, the retail natural gas marketing business was included in the "Energy Marketing and Refining" operating segment in 2002.

Selected financial information regarding the discontinued retail natural gas marketing business is as follows for the six month period ended June 30:

| | 2003 | 2002 |
|---|---|---|
| | ($ millions) | |
| Revenues from discontinued operations | | 81 |
| Income from discontinued operations, net of income taxes of $nil (2002  $4) | | 3 |
| Gain on disposal of discontinued operations, net of income taxes of $nil (2002  $10) | | 47 |

There were no remaining assets or liabilities related to the discontinued operations at June 30, 2003 or December 31, 2002.

**8. RECENTLY ISSUED ACCOUNTING STANDARDS**

**Consolidation of Variable Interest Entities**

In January 2003 the Financial Accounting Standards Board issued Interpretation 46 ("FIN 46"), "Consolidation of Variable Interest Entities (VIEs)". VIEs, commonly referred to as Special Purpose Entities or SPEs, are entities in which the equity investors do not have a controlling financial interest or do not have sufficient equity at risk to absorb future losses. Effective for 2004, FIN 46 requires consolidation of a VIE where the company will absorb a majority of a VIEs losses, receive a majority of its returns, or both. The Company will be required to consolidate the VIE related to the sale of equipment as described in note 9(c) to the company's December 31, 2002 Annual Consolidated Financial Statements incorporated by reference herein. The company does not expect a significant impact on net income upon consolidation of the equipment VIE. The impact on the balance sheet would be an increase to property, plant and equipment and an increase to long-term debt. The VIE involving the sale of crude oil inventory terminates June 25, 2004, and is not anticipated to have a significant impact on Suncor's reported results of operations or financial position for U.S. GAAP purposes. The accounts receivable securitization program, as currently structured, does not meet the FIN 46 criteria for consolidation by Suncor.



**Prospectus**

# Suncor Energy Inc.

## U.S.$1,000,000,000
## Debt Securities
## Common Shares

We may offer for sale from time to time, debt securities or common shares (collectively, the "Securities") up to an aggregate initial offering price of U.S.$1,000,000,000 (or the equivalent in other currencies or currency units) during the 25 month period that this prospectus, including any amendments hereto, remains effective. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying prospectus supplement.

We will provide the specific terms of these Securities and all information omitted from this prospectus in supplements to this prospectus. You should read this prospectus and any applicable prospectus supplement carefully before you invest.

**Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved these Securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**We are permitted to prepare this prospectus in accordance with Canadian disclosure requirements, which are different from those of the United States. We prepare our financial statements in accordance with Canadian generally accepted accounting principles, and they may be subject to Canadian auditing and auditor independence standards. They may not be comparable to financial statements of**

**United States companies.**

**Owning the Securities may subject you to tax consequences both in the United States and Canada. This prospectus or any applicable prospectus supplement may not describe these tax consequences fully. You should read the tax discussion in any applicable prospectus supplement.**

**Your ability to enforce civil liabilities under the United States federal securities laws may be affected adversely because we are incorporated in Canada, most of our officers and directors and some of the experts named in this prospectus are Canadian residents, and many of our assets are located in Canada.**

The date of this prospectus is January 10, 2002.

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**ABOUT THIS PROSPECTUS**

In this prospectus and in any prospectus supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars, references to "dollars" or "$" are to Canadian dollars and references to "U.S.$" are to United States dollars. Unless otherwise indicated, all financial information included and incorporated by reference in this prospectus or included in any prospectus supplement is determined using Canadian generally accepted accounting principles which are in effect from time to time, referred to as "Canadian GAAP". "U.S. GAAP" means generally accepted accounting principles which are in effect from time to time in the United States. For a discussion of the principal differences between our financial results as calculated under Canadian GAAP and under U.S. GAAP, you should refer to the "U.S. GAAP Reconciliation Note" beginning on page F-1 of this prospectus and to Exhibit 1 to our Annual Report on Form 40-F for the year ended December 31, 2000 and incorporated by reference into this prospectus. Except as set forth under "Description of Debt Securities", and unless the context otherwise requires, all references in this prospectus and any prospectus supplement to "Suncor", "we", "us" and "our" mean Suncor Energy Inc. and its subsidiaries and joint venture investments.

The reserve information incorporated by reference herein was prepared in accordance with Canadian standards which differ from U.S. standards.

This prospectus is part of a registration statement on Form F-10 relating to the Securities that we filed with the U.S. Securities and Exchange Commission ("SEC"). Under the registration statement, we may, from time to time, sell any combination of the Securities described in this prospectus in one or more offerings up to an aggregate initial offering price of U.S.$1,000,000,000. This prospectus provides you with a general description of the Securities that we may offer. Each time we sell Securities under the registration statement, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. Before you invest, you should read both this prospectus and any applicable prospectus supplement together with additional information described under the heading "Where You Can Find More Information". This prospectus does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. You may refer to the registration statement and the exhibits to the registration statement for further information with respect to us and the Securities.

**WHERE YOU CAN FIND MORE INFORMATION**

We file with the securities commissions or similar authorities in each of the provinces of Canada, commissions of authority similar to the SEC, material change, annual and quarterly reports and other information. We are su