PETRO-CANADA

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2005

CONSOLIDATED STATEMENT OF EARNINGS
For the three months ended March 31, 2005
(unaudited, millions of Canadian dollars, except per share amounts)

	Three months ended March 31, 2005	Three months ended March 31, 2004
Revenue		
Operating	3,880	3,439
Investment and other income (Note 4)	(498)	34
	3,382	3,473
Expenses		
Crude oil and product purchases	1,852	1,473
Operating, marketing and general (Note 5)	696	655
Exploration	82	45
Depreciation, depletion and amortization (Note 5)	348	355
Foreign currency translation	5	16
Interest	34	37
	3,017	2,581
Earnings before income taxes	365	892
Provision for income taxes		
Current	431	395
Future (Note 6)	(184)	(16)
	247	379
Net earnings	118	513
Earnings per share		
Basic (dollars)	0.45	1.93
Diluted (dollars)	0.45	1.90

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
For the three months ended March 31, 2005
(unaudited, millions of Canadian dollars)

	Three months ended March 31, 2005	Three months ended March 31, 2004
Retained earnings at beginning of period	5,408	3,810
Net earnings	118	513
Dividends on common shares	(39)	(40)
Retained earnings at end of period	5,487	4,283

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended March 31, 2005
(unaudited, millions of Canadian dollars)

	Three months ended March 31, 2005	Three months ended March 31, 2004 *(restated)*
Operating activities		
Net earnings	118	513
Items not affecting cash flow from operating activities (Note 7)	686	363
Exploration expenses (Note 3)	50	21
Proceeds from sale of accounts receivable (Note 8)	80	-
Increase in non-cash working capital related to operating activities	(371)	(11)
Cash flow from operating activities	563	886
Investing activities		
Expenditures on property, plant and equipment and exploration (Note 3)	(879)	(462)
Proceeds from sale of assets	1	30
Increase in deferred charges and other assets	(14)	(6)
(Increase) decrease in non-cash working capital related to investing activities	19	(14)
	(873)	(452)
Financing activities		
Increase in short-term notes payable	309	-
Repayment of long-term debt	(1)	(1)
Proceeds from issue of common shares	27	15
Purchase of common shares (Note 9)	(67)	-
Dividends on common shares	(39)	(40)
Increase in non-cash working capital related to financing activities	-	(27)
	229	(53)
Increase (decrease) in cash and cash equivalents	(81)	381
Cash and cash equivalents at beginning of period	170	635
Cash and cash equivalents at end of period	89	1,016

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET
As at March 31, 2005
(unaudited, millions of Canadian dollars)

	March 31, 2005	December 31, 2004
Assets		
Current assets		
Cash and cash equivalents	89	170
Accounts receivable (Note 8)	1,402	1,254
Inventories	769	549
Prepaid expenses	27	13
	2,287	1,986
Property, plant and equipment, net	15,108	14,783
Goodwill	954	986
Deferred charges and other assets	372	345
	18,721	18,100
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	2,352	2,223
Income taxes payable	288	370
Short-term notes payable	608	299
Current portion of long-term debt	7	6
	3,255	2,898
Long-term debt	2,296	2,275
Other liabilities	1,168	646
Asset retirement obligations	826	834
Future income taxes	2,496	2,708
Commitments and contingent liabilities (Note 13)		
Shareholders' equity (Note 9)	8,680	8,739
	18,721	18,100

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, millions of Canadian dollars)

1 SEGMENTED INFORMATION

Three months ended March 31,

	Upstream													
	North American Natural Gas		East Coast Oil		Oil Sands		International		Downstream		Shared Services		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenue														
Sales to customers	431	418	237	243	129	95	592	561	2,491	2,122	-	-	3,880	3,439
Investment and other income	-	1	-	-	(1)	-	(487)	18	(7)	9	(3)	6	(498)	34
Inter-segment sales	73	46	118	136	110	125	-	-	4	3	-	-		
Segmented revenue	504	465	355	379	238	220	105	579	2,488	2,134	(3)	6	3,382	3,473
Expenses														
Crude oil and product purchases	95	93	-	-	109	61	-	-	1,644	1,314	4	5	1,852	1,473
Inter-segment transactions	4	3	-	-	15	10	-	-	286	297	-	-		
Operating, marketing and general	92	85	44	35	95	82	111	120	327	320	27	13	696	655
Exploration	42	25	-	-	28	9	12	11	-	-	-	-	82	45
Depreciation, depletion and amortization	94	74	63	72	20	12	118	130	53	67	-	-	348	355
Foreign currency translation	-	-	-	-	-	-	-	-	-	-	5	16	5	16
Interest	-	-	-	-	-	-	-	-	-	-	34	37	34	37
	327	280	107	107	267	174	241	261	2,310	1,998	70	71	3,017	2,581
Earnings (loss) before income taxes	177	185	248	272	(29)	46	(136)	318	178	136	(73)	(65)	365	892
Provision for income taxes														
Current	79	88	85	76	(29)	(14)	219	200	100	65	(23)	(20)	431	395
Future	(5)	(22)	(6)	10	19	26	(155)	(13)	(35)	(17)	(2)	-	(184)	(16)
	74	66	79	86	(10)	12	64	187	65	48	(25)	(20)	247	379
Net earnings (loss)	103	119	169	186	(19)	34	(200)	131	113	88	(48)	(45)	118	513
Expenditures on property, plant and equipment and exploration	249	132	59	51	150	86	167	72	254	121	-	-	879	462
Cash flow from operating activities	235	199	227	276	37	76	180	277	11	109	(127)	(51)	563	886

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

2. BASIS OF PRESENTATION

The note disclosure requirements for annual Consolidated Financial Statements provide additional disclosure to that required for interim Consolidated Financial Statements. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in the Company's 2004 Annual Report. The interim Consolidated Financial Statements follow the accounting policies summarized in the notes to the annual Consolidated Financial Statements except for the change described in Note 3.

3. CHANGES IN ACCOUNTING POLICIES

Statement of Cash Flows

Effective January 1, 2005, the Company changed the presentation of cash flow in the Consolidated Statement of Cash Flows pursuant to recent interpretations from the United States Securities and Exchange Commission. Previously, all exploration expenses were classified as investing activities. With the change, general and administrative and geological and geophysical exploration expenses are treated as a reduction of cash flow from operating activities. All prior periods have been restated to reflect this change. The change results in a decrease in cash flow from operating activities and an increase in cash flow from investing activities by $32 million for the three months ended March 31, 2005 ($24 million for the three months ended March 31, 2004).

4. INVESTMENT AND OTHER INCOME

Investment and other income for the three months ended March 31, 2005 includes $494 million ($2 million for the three months ended March 31, 2004) for unrealized losses on derivative contracts, of which $492 million (nil for the three months ended March 31, 2004) relates to the outstanding derivative contracts associated with the 2004 acquisition of an interest in the Buzzard field in the U.K. sector of the North Sea.

5. ASSET WRITEDOWNS

Following a review of its Eastern Canada refining and supply operations, Petro-Canada announced in September, 2003 it will be ceasing the Oakville refining operations and expanding the existing terminalling facilities. The total charge to earnings related to the shutdown, which occurred in April 2005, is approximately $200 million after-tax. The following expenses have been recorded in the Downstream segment:

	Three months ended March 31,			
	2005		2004	
	Pre-Tax	After-Tax	Pre-Tax	After-Tax
	(millions of dollars)			
Operating, marketing and general expense (de-commissioning and employee related costs)	1	1	1	1
Depreciation and amortization expenses (asset write-downs and increased depreciation)	-	-	20	12
	1	1	21	13

6. INCOME TAXES

The provision for future income taxes for the three months ended March 31, 2004 was reduced by $13 million due to the substantively enacted reduction in provincial income tax rates. The adjustment was allocated to the segments as a decrease (increase) to the tax provision as follows: North American Natural Gas - $7 million, East Coast Oil - $3 million, Oil Sands - $2 million, Downstream - $2 million and Shared Services - $(1) million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

7. ITEMS NOT AFFECTING CASH FLOW FROM OPERATING ACTIVITIES

	Three months ended March 31,	
	2005	2004
	(millions of dollars)	
Depreciation, depletion and amortization	348	355
Future income taxes	(184)	(16)
Accretion of asset retirement obligations	16	12
Unrealized loss on translation of foreign currency denominated long-term debt	5	16
Gain on disposal of assets	-	(10)
Unrealized loss associated with the Buzzard derivative contracts	492	-
Other	9	6
	686	363

8. SECURITIZATION PROGRAM

During 2004, the Company entered into a securitization program, expiring in 2009, to sell an undivided interest of eligible accounts receivable to a third party, on a revolving and fully serviced basis.

In March 2005, Petro-Canada increased the limit to sell eligible accounts receivable under the program from $400 million to $500 million. During the three months ended March 31, 2005 the Company sold an additional $80 million of outstanding receivables for net proceeds of $80 million.

As at March 31, 2005, $480 million of outstanding accounts receivable had been sold under the program.

9. SHAREHOLDERS' EQUITY

	March 31, 2005	December 31, 2004
	(millions of dollars)	
Common shares	1,339	1,314
Contributed surplus	1,681	1,743
Retained earnings	5,487	5,408
Foreign currency translation adjustment	173	274
	8,680	8,739

Under the terms of a normal course issuer bid (NCIB), the Company purchased 944,900 shares at a cost of $67 million during the three months ended March 31, 2005 (nil for the three months ended March 31, 2004). The excess of the purchase price over the carrying amount of the shares purchased, which totaled $62 million for the period, was recorded as a reduction of contributed surplus.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

10. STOCK-BASED COMPENSATION

For the three months ended March 31, 2005, the Company granted 2,002,400 options, 315,070 performance share units and 22,166 deferred stock units (1,787,400, 284,880, and 39,043 respectively, for the three months ended March 31, 2004). The Company records stock-related compensation expense for these grants in the Consolidated Statement of Earnings using the fair value method.

Compensation expense has not been recorded for stock options issued prior to 2003. The following table presents the pro forma net earnings and the pro forma earnings per share computed assuming the fair value based accounting method had been used to account for the compensation cost of stock options granted in 2002.

	Three months ended March 31,					
	2005	2004	2005		2004	
	Net Earnings (millions of dollars)		Earnings per Share (dollars)			
			Basic	Diluted	Basic	Diluted
Net earnings as reported	118	513	0.45	0.45	1.93	1.90
Pro forma adjustment	2	2	-	0.01	0.01	-
Pro forma net earnings	116	511	0.45	0.44	1.92	1.90

11. EMPLOYEE FUTURE BENEFITS

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

	Three months ended March 31,	
	2005	2004
	(millions of dollars)	
Pension Plans:		
Defined benefit plans		
Employer current service cost	8	6
Interest cost	21	20
Expected return on plan assets	(22)	(19)
Amortization of transitional assets	(1)	(1)
Amortization of net actuarial losses	9	8
	15	14
Defined contribution plans	4	3
	19	17
Other post-retirement plans:		
Employer current service cost	1	1
Interest cost	3	3
Amortization of transitional obligation	1	1
	5	5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

12. VARIABLE INTEREST ENTITIES

Accounting Guideline 15 (AcG 15), *Consolidation of Variable Interest Entities* (VIEs), provides criteria for the identification of VIEs and further criteria for determining what entity, if any, should consolidate them. Entities in which equity investors do not have the characteristic of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support are subject to consolidation by a company if that company is deemed the primary beneficiary. The primary beneficiary is the party that is subject to a majority of the risk of loss from the variable interest entity's activities is entitled to receive a majority of the variable interest entity's residual returns or both. The Company determined that certain retail licensee agreements would constitute VIEs, even though the Company has no ownership in these entities. The Company, however, is not the primary beneficiary and therefore consolidation is not required. In certain of these retail licensee arrangements, the Company has provided loan guarantees. Management is of the opinion that the Company's maximum exposure to loss from these arrangements would not be material.

13. COMMITMENTS AND CONTINGENT LIABILITIES

On March 1, 2005, the Company announced that it had entered into an agreement to become a partner in the Fort Hills oil sands mining project which was previously wholly owned by UTS Energy Corporation (UTS). Under the terms of agreement, Petro-Canada will assume a 60% interest in and become the operator of the project. To pay for the investment, Petro-Canada will fund 75% of UTS' share of the next $1 billion of development capital, or $300 million. The transaction is subject to all applicable governmental and regulatory approvals and is expected to close in the second quarter of 2005.