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BRUCE MARCH (Chairman, President and Chief Executive Officer, Imperial Oil Limited): Let us know who you are first before you ask your question. And we've got one mic here to allow everyone to hear, particularly the people that are joining us on a webcast. And what we'll do is answer your questions to the best of our ability and I'll call on Randy and Paul to help me out where it's appropriate.

So, with that, who would like to ask a first question?

TERRY PETERS: Terry Peters, I'm with Canaccord. So my question is on Kearl. With the announcement I assume your $8 billion is 100 percent basis, and I just want to know whether you're including your sunk cost from 2008 and prior? And also is that as spent dollars and if it is what's your implicit inflation over the next four years?

PAUL SMITH (Senior Vice President, Finance & Administration, and Treasurer, Imperial Oil Limited): Yes eight billion Canadian is the 100 percent basis for the project and it does include, prior to this week, spending of about $800 million on the project. I'm not sure I understand your question on—(inaudible). It's the estimate is eight billion in 2008 dollars, nominal dollars today, yes.

BARB BETANSKI: Thank you, Barb Betanski from UBS Asset Management. The question is related to your program of increased

CAPEX spending over the next number of years to fund Kearl and other projects, you indicated that it would be funded primarily through cash flow and some increase in debt. I wonder if you could highlight what your debt targets might be and also whether your share repurchase you plan to undertake at the same level or if that would be a secondary thing to spend on during the higher CAPEX phase?

BRUCE MARCH: Let me answer those in reverse order. As Paul highlighted, first and foremost uses of cash goes to pay the dividend and to increase debt year-over-year and then to fund all quality projects that we have. And then thereafter it if there's excess cash, it's really share repurchases are the fly wheel we use to manage excess cash. We don't like to sit on it, we like to try to look ahead a little bit, but otherwise if there's excess cash we prefer to give it back to shareholders through share repurchases. What you see here, all the projects, particularly in the upstream that we've talked about today, in the next five to six years our plans are to fund all those from cash that we generate internally, but if needed also go into debt issuance. And I think what you'll see us do is strive to (inaudible) best and protect our AAA credit rating the best that we can. So, there's a debt to equity ratio out into the future that we expect we'll stay under to retain that AAA credit rating. And to be honest with you our crystal ball on what margins and profitability looks like in the future is no better than anyone else's. And so how deep we go into debt issuance, how fast we do that is really dependant on the business climate, how well it improves from where we are today, in what segment debt improves as we move forward. But we're in Canada probably the only big integrated competitor that's got a balance sheet with really no debt today on it. So what you're seeing with us stepping forward and advancing Kearl, talking about Horn River, talking about Mackenzie Gas, talking about a long suite of projects is really the belief that now is the time with these right projects in the pipeline to go ahead and use the balance sheet, leverage ourselves with debt if needed, but I think you'll see us stop short of giving up that AAA credit rating.

PAUL SMITH: Yes, just to build on what Bruce said, another way of saying it is we'd view a strong balance sheet as one of the key fundamentals of the company and as a result we'd want to keep that debt to total capital ratio at somewhere between 25 and 35 percent. If you remember back in 1989 when we acquired Texaco, we went up to about 40 percent debt to total capital, we paid that down to about 25 percent, so that kind of range is one of the key financial parameters of the company. But as Bruce said, depending on where the price goes, the economy goes so on and so forth, we expect that operating cash flow will fund most of these projects and then we can use—we've got that capacity available to fund the rest.

GREG PARDY: It's Greg Pardy with RBC Capital Markets. The question really just relates to conversion capacity and the outlet for Kearl. So you've got a pipeline-able dilbit that you're going to be producing, and just as a back check how much of that would you expect to go into your existing refineries? And then secondly is I think you mentioned you've increased your conversion capacity by 17 percent or so in the last few years, are there plans in the works to increase conversion capacity in Canada or are you really looking at the US as an outlet for this crude?

BRUCE MARCH: So move it forward on Kearl, just get to your question but give you a little bit of background. So our proprietary technology is the only one in the business today that can take mining of bitumen and make a pipeline-able grade diluted bitumen product. So that's unique, it enables us to build this high quality mining resource and develop it without to building an upgrader which you see as Syncrude has, Suncor's assets and several of the other smaller developments that have occurred in the last year or so. So it's a key competitive advantage. We will look first to run Kearl at our own refining assets. We can't get Kearl to

Dartmouth so it's limited primarily to Strathcona and the two Ontario refineries. We only—Kearl is a heavy low API gravity crude and I think you'll see us concentrate most of that upgrading at our two Ontario sites rather than our Strathcona site which is less leveraged towards conversion capability. We'll also look to market Kearl to other upgraders in the Alberta area to minimize the transportation costs. Today there's some excess upgrading capacity there, we don't know whether it'll be there in 2012 but we'll have a good product to take advantage of. And then last but not least we look at all the other third party opportunities in the upper Midwest and eventually, you know, shortly after 2012 you'll be able to get Kearl onto the Gulf Coast. I think what you're seeing here—and this is a big, has been a big focus point in our development of the Kearl project, when we started Kearl really looking at it in earnest and developing what we always try to do is a robust project through all business cycles and through all price ranges. We started this in earnest back in 2001 and 2002. It also shows you how long it takes you to develop these multi-billion-dollar projects if you're doing it right. And all of us will have to test our memory a little bit to go back to what crude costs in 2002 and 2003, but in case you can't remember I'll tell you it was about $25 a barrel. So Kearl has always had the focus of being successful in a low price environment. And we've developed it all around that as a strategy, we saw costs go up tremendously since 2002 and 2003 obviously. So don't read my remarks to say that we're going to be successful with Kearl at $20 a barrel. We likely won't be. But we will be successful in a price range that's not too much higher than that number because of the focus all along and the recent spinning out of costs that we've seen in the last three, four years. So we feel quite comfortable marketing Kearl at our sites, we're working closely with Exxon Mobil, it's a decision they'll take on what's the best crude for their assets, but they've got some very good conversion facilities in the upper Midwest and on the Gulf Coast both. And then of course we'll sell to other third parties that are non Exxon Mobil refineries as well. The other key think you're seeing is really in the depletion of the Maya resources and other heavy sour crude in the North American basin. As this depletion rate, in reference to the graph we showed you kind of moving forward from here, we see Kearl in a diluted form, not a synthetic upgraded form, fitting very well into a lot of the assets that have been built specifically to run those type of crudes. The quality of Kearl isn't much different than Maya, so in fact we think it's got a pretty good fit moving forward in the future.

WILLIAM LACEY: William Lacey at FirstEnergy. Just two quick questions on Kearl. First could you maybe expand a little bit more on your expectations of cost structures for the asset as well as could you maybe talk a little bit more about what you see as the potential cooperation benefits that you've entered into on Syncrude?

BRUCE MARCH: Yes, you'll have to guide me, Bill, if I don't cover your cost questions as well, but there's about six or seven key things in any big project that you need to deliver appropriate and well earned financial returns. So we won't be able to tell you fully the details about all of these but you know the capital cost now as of yesterday's announcement. I think the other thing you've got to look very closely at, and Randy pointed it out on a production profile chart, that was a little bit different than what we had communicated in the past to everyone. And then last but not least OPEX is critical in terms of what our operating costs are going to be for the life of that project. I won't go into much detail, but they'll be substantially lower than anything seen in the industry today. There's some natural structural advantages that we've got with Kearl, the mining site is much more compact than Suncor and Syncrude so the trucks and shovels that are operating are moving smaller distances and we've got a mining plan that we can take advantage of that will work in that kind of fashion for the whole 30 to 40 year life. Beyond that there's forex considerations, there's spread of bitumen diluted, a difference to WTI or other benchmark crudes that's going to be different for our product versus others. And as Randy mentioned the proprietary technology also enables us to use less diluent than our Cold Lake operation and other kind of diluted bitumens that are in the market today. So when you roll all those things together we're very confident we got a very robust and a very attractive project. We never try to predict a crude oil's price that delivers a sweet spot for any large investment, that's not how we run our business. And when you look at the global energy outlook and you look at the next 25 to 30 years, that's really the projection we use to tell whether we've got an investment climate that will work for these big projects. The oil sands projects in particular, what's wonderful about them is when you get them up and running they stay at plateau rates for 30 or 40 years. Unlike the conventional oil and gas that you enjoy full capacity or what we call plateau for a three or four year period and then see nothing but declines thereafter. So that's the key advantage of the oil sands and we think that we've got a price range that we evaluated this project at based on our long term energy outlook that's going to provide us attractive returns to the standpoint we worked a cost issue in the last six to eight months a little bit to try to take advantage. Alberta's a little bit of a shifting area of regulatory needs and different things and we worked our way through all the more recent ones and so we were prepared to take the project to our board this week and get them to do a final endorsement and continue to move on. We think we've got a great project for a robust range of prices, a robust range of conditions. You saw the projected manpower demands in Alberta. Gosh, what a position to have. We're going to be thrilled with that and we'll be the only big project in the field doing anything, our productivity rates were—that's one of the estimates in the 7.9 billion. I mean my expectation and Randy's are is we're going to improve upon all the assumptions that we've put in there. Because this is a pretty volatile craft labor marketplace, been near impossible to predict in the last three or four years how high costs were going to go, and frankly I think if the market stays like it is, it's almost impossible to predict how low productivity costs are going to go, or how much better they're going to get, excuse me. But you can bet we'll be taking advantage of it.

Last, final comment on Kearl on this question, if you're wondering about our return, if you're wondering about if it's in our investment standards, just look at our total average capital employed over our history and I think that gives you the best answer that we can give you. It's going to fit very, very well in our future moving forward.

UNIDENTIFIED SPEAKER: (Inaudible) cooperation.

BRUCE MARCH: Oh, sorry, yes. Well we've got another unique opportunity, got a long history of operating experience at Syncrude. In the last couple of years an Exxon Mobil team has been brought in to provide the leadership and the management of the entire Syncrude site on behalf of the multiple owners. And so we've learned even more from this Exxon Mobil team that's now in there. Like other owners we can all participate to a limited amount as per the governance agreements of the Syncrude operating structure. And one of the things that each owner can do is to take those learning experiences and apply them into our other oil sands operations that are 100 percent owned by each owner. And it goes all the way into things like doubling up of procurement opportunities, so ordering two or three instead of ordering one, we're taking advantage of that. And that can be multiplied across everything from the bitumen separation assets to the crushers that separate ore from bitumen to the trucks and shovels that are employed all through the mining operations. So there's some pretty significant procurement opportunities, not just for Imperial, but for all the other Syncrude owners. And I think all of us take advantage of them the best that we can.

WINFRED FRUEHAUF : Winfred Fruehauf, W. FRUEHAUF Consulting Limited. Two follow up questions on Kearl plus another question. Does the $8 billion of capital cost include or exclude the allowance for interest used during construction?

PAUL SMITH: I'm sorry, I didn't—

WINFRED FRUEHAUF: Does the eight billion include an allowance for interest used during construction?

PAUL SMITH: No, we—when we run our economics we do it on an unleveraged basis so we just look at return on capital so there's no interest component in there.

WINFRED FRUEHAUF: You mentioned earlier that bitumen from Kearl is comparable with Maya. Does that extend to sulfur and heavy metals also?

UNIDENTIFIED SPEAKER: Pretty similar.

BRUCE MARCH: Yes, it's pretty similar to Maya's sulfur level, metals level, probably a little bit higher in acid levels than Maya.

WINFRED FRUEHAUF: Then my one question. You mentioned that last year Imperial Oil added 900 million barrels of BOE to its reserves. Is that BOE calculated at a six to one ratio?

BRUCE MARCH: Gas and oil?

WINFRED FRUEHAUF: Yes.

BRUCE MARCH: Yes.

WINFRED FRUEHAUF: Well now I'm puzzled about this because earnings from an MCF of gas, cash flow from an MCF of gas certainly is much less than one-sixth of earning and cash flow from crude. So why do you use six to one? Because it's actually not comparable .

UNIDENTIFIED SPEAKER: It's the BTU basis, industry standards, BTU. So that's the energy equivalent. You're right, I'm puzzled by it too because on a revenue basis oil's trading at about US$40 a barrel—or US$60 a barrel today—and gas is at 350. But on a BTU basis it's six to one, so that's the industry convention of conversion.

BRUCE MARCH: In fact I think there may be a SEC rule or another rule that we have to comply with and use those same ratios.

Yes, one in the back there?

MARK POLAK: Mark Polak with Scotia Capital. So a few questions for you on Kearl. With the production profile you've laid out here, does the

$8 billion cost get you to 140 or is there some additional capital down the road for a development project to get there?

BRUCE MARCH: I'll let Randy answer this question.

RANDY BROILES: Yes, Mark, the additional volumes to get to the 135-140,000 barrel a day will require additional investments beyond the eight billion and those costs are being scoped out now. It's predominantly—it's an opportunity we can take advantage of as that mine is opened up, as we create a mine face so we've got more room to work. So those costs are coming together as we speak. But there's no question additional money's required.

MARK POLAK: Thank you. Bruce, I think at the annual meeting you mentioned honoring existing contract and I suspect some of this cost was put together earlier last year in a higher environment.

BRUCE MARCH: Right.

MARK POLAK: Can you provide any color in terms of how much of that might have been done last year, and say you were six to 12 months behind, what impact do you think that might have on the overall cost and capital (inaudible)?

BRUCE MARCH: Yes, you know, it's going to be, Mark, a little bit hard to quantify but I'll give you a range, because until we do a final cost estimate it's sort of a work in progress if you know what I mean. But go back to your original point there, we could have endorsed Kearl and moved along, I'm going to guess some six to nine months ago, had we chosen to do that. And if you go back to my earlier comments where we really started to develop this project with a project management system in earnest going way back to 2002, 2003, you could see how long we've been at this trying to get a robust high quality project in all environments. I think if you went back to about a year earlier, kind of early summer last year you'd probably be looking at somewhere between a half to a billion dollars more investment. And again that's an estimate, it's a pretty good guessed estimate, but it's not underpinned to a previous cost estimate that we did. Our business as you know runs very, very highly driven by supply and demand, not just in oil price which comes from supply and demand, but on goods and services, supplies, vendors, that same supply and demand. And, gosh you know, I don't think any of us with our combined 90 plus years of experience up here in front have ever seen such an overheated market as we saw in the last couple of years. So once prices started to drop and we knew that given the financial crisis that we saw, that the world economies would start to slow down, it made complete sense to us that the supply and demand for goods, services, procurement, bulks , all those sort of things were going to start to have those high market pressures be relaxed. So we took a six to nine month opportunity to try to work costs out of the system. Now I will tell you we were pretty fortunate in our timing. We had a couple of major agreements with companies that are going to help us manage the engineering procurement construction side of Kearl project, but otherwise a lot of our long lead big procurement options had not been finalized yet in the kind of August, September timeframe of last year. A lot of the big construction contracts were just in the early phases of discussion. In the last couple of years you haven't been able to get a contractor to take any risk at all basically, and I think you're seeing that change very quickly and that's one of the issues we've worked pretty hard. Because as you saw in that earlier graph, we literally will be the only big project in the field perhaps in the next year or two. So that's what we've done. When I took pride in saying we don't cancel contracts, I do think you need to keep in mind that our timing was pretty fortunate. I don't think we'd ever go back and cancel the project, a contract in the future unless we had good cause to do so. But sometimes our deliberateness in advancing Kearl, we didn't get too mesmerized with the high price environment and we didn't get too overwhelmed with rushing the project through like others did to try to take advantage of this environment, we always knew that in our business with that long term energy outlook there'd be sustained periods of low prices as well. So I think that what you're seeing here is the strategy work, the strategy worked again. When it works in a low price environment it always works in a high price environment. And that's the key that's different I think about our company.

MARK POLAK: That's great. Thank you. In the past you guys have provided a range of cost estimates for all three phases and weighted more to phase one, I'm just curious if you could talk about what are you guys doing with phase one here that may benefit phases two and three and what that might mean for relative capital intensities in those phases.

RANDY BROILES: Yes. Mark, examples of things that can be used in phases two and three would include road networks in and out of phase one, it would include things like utilities, in particular power, and the other big cost that will benefit phases two and three are the pipeline networks that are needed. And not just diluent in and dilbit out but also water pipelines.

MARK POLAK: Thank you. And just last one for me if I could. How do you expect operating costs might look relative to mining and extraction costs at Syncrude as we're looking out?

PAUL SMITH: Significantly less.

LAURA LAU: Laura Lau, Sentry Select. You talked about the technology to bring Kearl oil to pipeline spec and then you discussed how you need more diluent at Cold Lake. Have you thought about applying this technology to Cold Lake, because my understanding is that the oil is actually lighter at Cold Lake?

BRUCE MARCH: No, really the technology that we're going to supply at Kearl is specific to a mining operation. So when you mine bitumen and separate clay and the very fine, fine materials from the oil sands to start with it's very, very difficult to get all or enough of the fines out of the final product that you can meet a pipeline BS&W spec. So the technology that we developed allows us to do that. In Cold Lake we're using cyclic steam production and much of the fines or sandy material stays in the reservoir, what does come up we settle out much easier, so the proprietary technology for Kearl really doesn't have an application at Cold Lake, and it's the difference between mining and in situ operations that's the answer behind that.

A couple here, go over here, Bill, since you've had one chance already.

STEVE ARPIN: Steve Arpin, Beutel, Goodman. You alluded to the fact that your costs are going to be substantially better than you've been seeing at Syncrude and I was just curious about the improvements that you'd be expecting at Syncrude over the next number of years because I suspect that the costs have been somewhat disappointing for you?

BRUCE MARCH: Well I think what I would say is we do expect an improvement. We really haven't stepped back to quantify it yet. The team of people that's gone into Syncrude that are providing the leadership and the management services there, it's a 10-year contract term that's been set up so far and I think Randy mentioned we've seen some immediate improvements in flaring , which goes to energy efficiency, safety performance have improved, a whole lot of good benefits that have come very, very quickly, reliability being another one. But much, much more of the self-help business improvements is a lot harder work, a lot of long term—more long term in nature. So OPEX is one of those. You know to be honest with you we stayed a little bit away from OPEX early on when in the high price environment. We tried to put some things in place that helped their reliability where we were spending money, much, much needed. In this price environment those things are changing and so our focus over this 10-year management period is starting to shift more towards OPEX reduction. Frankly we haven't quantified any of it less. It won't reach the scale at Kearl just because of the physical layout of the mines and the fact that Syncrude's been operating for so long, it's trucks and shovels and it's distance and in many, many ways it's just never going to be as low as we expect to achieve with Kearl. But you can bet we have expectations that OPEX goes down at Syncrude.

One up here in front, yes?

ROB MARK: Thanks, it's Rob Mark, MacDougall, MacDougall & MacTier. Just talking about your strategy, I've noticed looking at your production profile going forward to 2025 your current and future growth depends largely it looks on oil sand. We're not talking as much about east coast offshore for instance. With the increasing backlash we're seeing from certain government, especially south of the border, on environmental issues regarding oil sands, are you worried about the increasing—potentially increasing the corporate risk exposure with a more focused or less diversified product mix?

BRUCE MARCH: Yes, it's a good question. The question's really got two phases, aspects to it. What we like to do is use the cash that we've got to grow our business and redeploy it and bring shareholder value, you know that. And in all honesty what we've got here are opportunities in the oil sands in the Athabasca area and the Horn River gas play that are much more advanced and back to your risk management point in terms of financial risk to develop them, including environmental concerns, much less risk than some of the offshore east coast plays. Orphan Basin we believe that there's resources there, they're going to be very, very attractive. But, good God, if we shared with you the drill rig rates to develop that resource they'd blow you away. And that's part of the high, high cost market environment. So we're being very, very careful how quickly we develop Orphan Basin and some of those other east coast offshore opportunities. I believe we will develop them, but they all kind of come with opportunity and risk management along the way.

And to the other part of your question regarding climate change discussions in Canada, climate change discussions in the US, it's been interesting for me and all of us really to watch and listen to the last two and a half, three years, good gosh, the torturous US presidential campaign where we heard everything for a long period of time—that's what I meant by torturous, it was just long—but we heard everything from—kind of like the Canadian approach towards elections, you know, quick, get it done and over with.

UNIDENTIFIED SPEAKER: Then do it again.

BRUCE MARCH: You know you heard everything from windfall profit taxes to drill baby drill in about a one year period of time. So kind of benchmarks, when you look at our history and you try to see different perspectives on what's the right thing to do. Pretty amazing. You know when President Obama came to Ottawa I think that was a key milestone that's going to be forever remembered in Canadian energy resource development and in particular the oil sands. He was without question lobbied tremendously hard for a couple of years to take a stand that was significantly different than he portrayed in Ottawa in February. And I keep coming back to that point, he could have said a lot, could have done a lot of different things, instead he said, he basically said that Canada's got a challenge in developing the oil sands with environmental responsibility and in the US they've got challenges in coal and other resources and how to develop them responsibly. So literally that's what it's all about. When we look at Kearl moving forward we had to consider what were the financial risks towards changing environmental regulations as we move on. I would tell you personally that we just don't know what they're going to be. You've got a framework with Waxman and Markey's bill. I personally think what comes out of the (inaudible) it's going to look a lot different. We question the pace that all of this can be implemented at, not just in the US but in Canada and if you sit back and you look for certainty on climate change regulations, I'm not sure when you'd make this investment. You could probably wait for years. And when you look at the long term needs and our energy outlook, when you look at the depletion of conventional oil and gas fields, we just didn't think to be the right thing to do was to be to sit on our hands forever. A lot of our competitors are doing that, not because of the environmental regulations, because of balance sheet issues. It's more of a credit crisis for them than anything else. So we've got a robust project that we've priced in the cost of carbon to a certain level in the economics, as that changes the economics are going to change. But we felt pretty comfortable that we could manage most of those risks, continue to go forward and have a successful project at the end of the day. Personally I don't think you're going to see a discriminatory trade barrier position taken by the United States against the oil sand, I just don't see that happening. I think that risk is extremely low, and that's based on a lot of intelligence and a whole lot of other discussions with not just Canadian officials but US officials as well. I think the US knows the value of energy security. You could see all the charts that we use, and I think while the President wants to shift the US economy and energy particularly away from oil, there's elements in the administration particularly and in the Senate as well that know the timeframes of doing that are quite long. And that's what, you know, what goes partly into this risk management decision.

BILL HARRIS: Bill Harris, Avenue. Just to tighten up that one issue for me as well, and to say that on the climate change if it's a political issue do you feel you're actually participating or is this something that's going to be imposed and as you said in the US you actually have to lobby a political group or is Exxon actually able to participate and are you able to actually participate with the government on the discussion and what the real issues are?

BRUCE MARCH: Without question we're participating. We work together with Exxon Mobil to make sure messages and things are coordinated, but we do it separately. When I go down to Capital Hill in Washington I represent Imperial Oil. And when Exxon goes they represent Exxon. And we are very clearly participating both in Washington, but we're participating more with Canadian federal government officials in terms of climate change rules, the framework to move forward and it's active, we feel pretty good about how the Canadian government's trying to collaborate with industry. This is a difficult, difficult challenge though. You know, a lot of things have been written about climate change. We're frankly in a position to know that some actions have to get, start to be taken, but the minus 20 percent in the next 10 years and the minus 50 percent in the next 35, boy is that hard to do. And particularly we're quite concerned, about the only way you're going to get there is to reduce economic output. You know we talk a lot about technology, we're convinced technology is the key. What I would share with you, not many of you may be chemical engineers, but to reverse the conversion of carbon to CO-2 when you combust carbon, and to reverse that there's no magic technology that reverses that. You have to actually spend more energy to break that chemical bond. So anything that you're going to do to unmake CO-2 basically takes a tremendous amount of more energy. And more energy is going to create more CO-2. Even carbon captured sequestration takes tremendous energy to capture it, tremendous energy to store it in the ground. So there's technologies out there but if you're going to get to minus 20 percent, how you're going to do it is going to take a tremendous a lot more energy than is used today. And that's a huge barrier. So we're working with all of the public policy leaders in North America to try to send those key messages in.

RANDY BROILES: Bill, just one thing I'd add to Bruce's remarks and that is we use multiple approaches as we touch Washington and Ottawa as well as the provinces, also through CAPP, our position with CAPP, so they've been very effective in some venues.

WILLIAM LACEY: William Lacey of FirstEnergy. Just following up on Kearl, the point that Mark brought up. How much of the costs are locked in at this point under your budget? And then the second question would be going over to the Orphan well, timing of that well and any sort of insight on to sort of rig availability and since you opened up that can of worms what the costs are looking like these days?

BRUCE MARCH: Randy, you want to take that?

RANDY BROILES: Sure. First on the Orphan well, we have rig options available and we have not seen deep water rigs come down as quickly as some other costs. Timing could be as early as third quarter 2010 and part of this is working through the cost factors on those rigs, as you appreciate. On your Kearl costs locked question, you know over the past several months those costs have continued to improve. Now that said, a mining business is labor intensive so there is some stickiness there when you think about commodity pricing and what's gone on with commodities. What we're really pleased with is the quality of construction and engineering people that we're able to get committed to that project in the last six to eight months. So that's a point that I wanted you to appreciate. That will help us deliver costs and it will help us to deliver schedule with the quality upgrade of the constructors in particular. How much is locked, specific to your question, I don't have that number in my head, it's not small but the big spend is still in front of us and as I mentioned as we start shifting between cost plus types of contracts over to fixed rate contracts shifting some of the risk, I think we're going to have continued opportunities. I'm confident we're going to deliver what we're sharing with you today.

KAM SANDHAR: Kam Sandhar with Peters & Co. Two questions, first of all can you give us a sense of where your diluent supply for Kearl is coming from given that it is a sizeable project? And the second question, I know in the past you've talked about other land bases that you have that has the potential for in situ development, can you give any sense of whether any of that is on the plate in the near term?

RANDY BROILES: The last part of that question again?

UNIDENTIFIED SPEAKER: On the plate, I think.

UNIDENTIFIED SPEAKER: On the plate, the in situ piece, how much of that is on the plate, did you say? Okay.

RANDY BROILES: Again, starting with the in situ question, we are actively drilling OV wells, observation wells, in the winter months to better delineate and understand our in situ acreage. I think as you'd expect we're starting with our highest quality assets first and we stage our way through the rest of the portfolio. So the production and the resource bars that are in the materials we've shared with you aren't allowing a lot of volumes yet, because we want to understand those assets better and it takes some data to do that. And, Bruce, you may be better suited to answer the diluent supply question. We're going to take as much as we possibly can from our own facilities in Strathcona in Edmonton, and beyond that there are other facilities in the area.

BRUCE MARCH: Yes, there's a hub of diluent supply that's already centered and will get expanded around the Edmonton, Strathcona, that area. But frankly eventually I think what you'll see is—I'm not sure when this takes place, Kam, but within Kearl's early lifetime I would say, phase one, you'll see diluent start to be transported all the way from the upper Midwest of the US and that will be part of the feed that we'll procure for a long term basis.

CHRIS FELTIN : Chris Feltin, Tristone Capital. Maybe just moving over to the gas side of things. North America is becoming very much a low cost gas play with those producers that are able to bring on their gas at the lowest cost showing some pretty good results in the longer term. Just I know it's early days in the (inaudible) river and just kind of wondering what you guys are looking for the longer term gas picture of North America, Horn River, Mackenzie Delta, how does that compete with everything else that's going on particularly with the (inaudible) in the United States?

BRUCE MARCH: Yes. Take you back to the energy outlook, out to 2030 and if you remember those wedges, oil, gas, coal and all the renewables. The renewables are growing at the—we would project those to grow at the fastest rate of anything. But again, they start from a very, very low base. So today wind, solar, biofuels combined, of that—gosh, what was the number, 250 million barrels of oil equivalent a day today—you know that's probably about less than five of that base. So they'll grow by 10 to 15 percent a year. But the manufacturing capability in those renewables is going to limit that growth to about that rate. I mean I don't think you can expect growth rates much more than that on a sustained basis moving forward. But that's the underpinning of that top wedge that we see. I think when you get down to oil, particularly outside of North America, its energy density, its ability to be easily transported, I mean there's nothing better than taking a five gallon can of diesel and gas—you can do more useful work with that thing than anywhere. And any of you that own land, own a farm, lived on a farm, you know what I'm talking about. And the developing world and China and India, they know that as well. It's kind of the real key to improving their quality of life. So we think oil and liquids will have an underpinning that will go forward. So the real question in the long run in our minds is coal and gas. And much of what you see there is power generation. In the US I think all the greenhouse gases emitted in the US are about 25 or 30 percent due to power generation, so you're going to see that to be a substantial area of focus. Of that 25 to 30 percent, half comes from coal. And frankly the only real technology you've got to make coal cleaner is carbon captured sequestration. There's some good applications where you can dispose of CO-2 close by, but where you don't have good applications you've got a much more difficult problem. So our long term view, gas grows in our energy outlook by I think it's just under two percent per year. That compares to oil at about one, and I think that compares to coal at less than one. So we think gas is going to grow faster, but twice as fast as the other traditional energy fuels around the world. Looking a little bit closer into North America, I mean we'll see where climate change goes. But, again, if you're trying to get to 20 percent reduction in the next 12 years and then to either 50 or 80 percent in the next call it 35 to 40, I don't see personally how coal can stay in the economy to the extent that it is today. It's just got some huge barriers, maybe technology solves it. Our view is gas in North America has got a huge opportunity. You make less than 50 percent of the emissions on an equivalent megawatt or BTU basis, there's plentiful supply and lower cost supply as technology has delivered that recently. So we believe where you see a pretty soft market right now—and the thing that always hurts gas is the inability to store it and transport, it makes it very difficult. But our view of gas in the long run is quite good and we think it will be really and underpinning of climate change strategy moving forward. So we like the play in the Horn River, we like that quite a bit, the position that we're building on and developing. And in Mackenzie Gas, I mean I think you'll see that research developed as well. We won't know how fast that's going to develop until the next 12 to 18 months, as we get through the regulatory process and work on the physical framework. But we're pretty—we feel pretty good about gas in North America moving forward the next 25, 30 years.

RANDY BROILES: One of the things I might just add on Horn River, one of the beautiful things about that opportunity for us, Chris, is that we can control the pace there. Now we have some tough technical nuts that we're trying to crack that relate to the tightness of the shale itself and how do we go through massive fracs in a very cost effective way to ensure that that gas is in fact profitable and benefits the shareholders. But once—the industry is thinking about developing Horn River in stages, so once you have the pipeline infrastructure in place, you've got a hub of treating complexes, then all of us can control the drilling pace.

JASON FREW: Hi, it's Jason Frew from Credit Suisse. Just my question is on Horn River actually, so good timing here. You did mention opportunities to consolidate your position over time. Maybe you could give us your thoughts in and around that aspect or at least on your timing for our production pilot. And finally what you might think about the ultimate productive capacity, either from the industry as a whole or from your own assets?

BRUCE MARCH: You want to take that, Randy?

RANDY BROILES: Yes. Yes, first I would say that with as many unknowns as we have with that particular play, that production pilot that I've mentioned is critically important to really understand what we're going to be able to achieve from a cost standpoint. So the early engineering for the production pilot has been underway for several months. We'll begin spending money in the field this coming winter season and I think we'll, we potentially could see production from a pilot within a couple of years. That will be relatively small volumes, call it in the 20 to 30 million cubic feet per day is what we're targeting in the pilot itself. And I think speculating on what that might do for our company, it's just a little bit premature. Ask us that question the next time we're together. I'll give you an answer that will be a better quality answer. You read as well as I do what the industry is tossing around and I would tell you that the quality of those number are—it's all over the map. So I don't even want to go down that. It could be meaningful for our company, and we can control it.

UNIDENTIFIED SPEAKER: So do you have a minority partner in Kearl with 29 percent that directly or indirectly owns 70 percent of Imperial Oil? And so if you decide to use Imperial's refineries, are you going to be charging them a fee, or conversely if you're moving product south are they going to be charging you a fee? How are you going to be negotiating that relationship, is it take your product in kind and do what you want or is there something else contemplated?

BRUCE MARCH: No, how we manage those interfaces and that relationship is really pretty simple. Everything is done at arms length, third party type agreements that are market based and market underpinned. So our experience with fees and transfers, things like that, it just gets in the way and too confusing and there's not a value add for either company. So given Exxon Mobil's global expertise and our global expertise in Canada, we both know what the value of Kearl's going to be in a competitive marketplace. And any arrangement that we strike with them will basically be done at third party, arms length type transactions. And in all honesty that's the way we have to do that because we're a Canadian based company that's got minority shareholders that we have to provide value to. We've got tax issues that are critical, that we have to do right. And Paul's going to expand on that also.

PAUL SMITH: Yes, I'd just say—and just to give a little more detail—that split 71, 29 percent, so each company will get their proportionate share of production and then they'd sell it at market rates to the extent Exxon Mobil refineries purchase it they'd buy at market rates. So we continually test that and whatever the market alternative is. As Bruce said, we don't play around with transfer fees, it's really whatever the market is and it's pretty transparent.

BRUCE MARCH: Yes, we'll take just a couple of more questions.

BILL HARRIS: Bill Harris again, Avenue. You almost got the Mackenzie question, I think the bigger issue was a couple of years ago where with the amount of work going in the oil sands and, you know, pricing of steel you couldn't actually execute a Mackenzie pipeline. Now you have the extraordinary opportunity of having a large capital project being sort of politically exciting and you've got a bunch of people sitting around. This is almost—is there a sense of urgency at your end of saying if this is quite possible to happen in our lifetime? You know this is the mix .

BRUCE MARCH: Well I'd say we've had that sense of urgency for several years now on the Mackenzie gas project. It hasn't been abated at all, even through the procurement opportunities that we've seen. We haven't been very public about how disappointed we are with the approach in the last two to three years, but so I won't be—show you how disappointed I am today. But we are getting closer to a joint review panel, end product. And then we've got a national energy board review that has to take place, and an approval. If that all occurs—and the JRP is critical. I mean there may be some environmental conditions and issues that come out of that report, that's why they're doing this assessment, that we have to build into the project in terms of the facilities or the assets or anything like that. Our aboriginal access agreements, we've got three out of five that are done and complete and ratified; a fourth is in the ratification stage, very, very close; a fifth is very, very close to getting an agreement. And we've been working those hard, so. There's been a sense of urgency on Mackenzie for years, really since 2006 when we revitalized the approach and changed it. At this time we're letting the JRP process run its course, we're working with the federal government on the fiscal framework which is key, as Randy mentioned the sharing of risks behind that. And, you know, we're committed to it. There's been exploration up there by MGM recently but most of the majors haven't explored up in the Mackenzie Delta for many, many years. And what we've seen in our business is as technology gets advanced we find resources and more of them, more recoverable than when we used old technology years and years ago. So we know that will likely be the case up in the Mackenzie Delta. So we're still committed to it, we like it to get a forward, but what we've learned over the years unfortunately is it's been one step at a time.

DAVID ROWAN : Hi, David Rowan, CN Investment Division. Question for Paul, I understand it's your policy not to hedge but in light of the large cutbacks coming with Kearl if the commodity price were to get high enough would you consider hedging?

PAUL SMITH: Ah, no. It's pretty straight forward. We believe that people that buy our shares want to be exposed to the price of oil. We believe that we've got a strong enough balance sheet, we've broken the project into phases, we really don't have to take out hedging as insurance, and as a result, as I said in my presentation, if we debt finance this and funded it out of operating cash flows then all of the advantage returns will flow right through to the shareholders. I think what you've seen in the past is a lot of folks have locked in prices and then the price has gone above that. You saw that last year and they got hedging losses. Our shareholders were afforded the full advantage when crude spiked up to $140 a barrel, that went right through to the bottom line. So our view is that we take other measures in terms of a conservative balance sheet, good project management, good technology and we don't have to hedge and that's ultimately a true advantage to our shareholders.

BRUCE MARCH: Yes, let me just build on that if I could. You know you really have to get down to the underlying strategy behind hedging, that's the question you need to ask the companies that use that as a portion off their business a lot more than we do. And I think a lot of them use it to lock in some proportion of a cash flow that enables them to then take that revenue and redeploy it somewhere in the future of their company. Our balance sheet, we don't need to do that. And when they lock that in though there's a lot of risk that they take on. You read a lot about it when it's working good, but you don't read a lot about it when it's not working so good. But that's the risk of hedging. You know, in the counter parties—I've got to say this too, what we've seen in the last year or two, the counter parties behind a lot of these hedges, some pretty dicey things going on. So the ones that have locked in a whole lot of activity in hedging have some complicated, complex derivative instruments behind all that, you've got to ask them some questions who their counter parties are and how stable are they. That's a part of the reason we avoid it.

DAVID ROWAN: Just maybe one more question for Randy. When can we expect to see Syncrude hitting its design rates? Is it sort of 2010, 2011?

RANDY BROILES: That's a fair question. We've got a great team of people up there now, it's a huge asset, over 5000 people, very big operation. And as Bruce alluded it's a journey, we signed up for this as a journey. I think that the money that we've spent in the last year and a half is going to make a huge difference in reliability as early as 2010. We're also spending a fair amount of time and money on mining capability and I think it's going to come together as early as 2010.

BRUCE MARCH: Let's take (inaudible), he's been basically waiting here for about 10 minutes.

WINFRED FRUEHAUF: Winfred FRUEHAUF again. Assuming the Mackenzie Valley pipeline is built and the question I have is does Imperial Oil intend to use (inaudible) gas and/or Horn River gas at Kearl or Cold Lake?

BRUCE MARCH: I don't think, Winfred, you'll see us tight line equity production right into a straight on asset unless there was some tax or other advantage to go do that.

WINFRED FRUEHAUF: The other question I have is again assuming the Mackenzie Valley pipeline is built, how does the lay down cost at Summit Lake compare with the net back of gas for Horn River? Because they're both about the same location.

BRUCE MARCH: Yes, it's a good question. I don't think we can answer that today, and here's why. We don't know what the environmental assessment results, the JRP of the Mackenzie gas project are. We've got a very stale cost estimate that was done in the early 2006 period, and we've been escalating that up but until we really define what a scope is for the project we won't have the ability—we won't go in and do a final cost estimate. I think what you can trust though with Mackenzie is this gas with the fiscal framework, with the environmental assessment, with a long term development plan that's got some decline in it, with a big upside opportunity for enhanced exploration, it's still got to compete. And by that I mean I would think a market develops in Alberta where gas coming from the Mackenzie Delta, eventually from offshore and the Beaufort, from Horn River and BC, a market develops with an eventual —there's a pretty big use in oil sands if oil sands continues to develop. But we'll produce more gas than the incremental oil sands will need and hence it will go into North America somewhere. But it'll all have to be market based and be successful with a good return for us to develop it.

We'll take one more and then we've got lunch available for those that are interested.

DAVID VANDERWOOD: David Vanderwood from Burgundy Asset Management. Does your decision to go ahead with Kearl and the capital spending profile of the next few years impact at all the likelihood or the timing of potential expansions at Syncrude?

BRUCE MARCH: I think the answer to that is no. We've got a fairly robust capital program in Syncrude all the time. It's a big, big asset, lots of arms and legs to it, and like other downstream businesses, and upstream businesses, has as an evolving environmental performance standard that we're going to have to live up to. So we've got ongoing capacity or investment in reducing sulfur emissions into the air and we've got some new investments at Syncrude on tailings, the new tailings directives that are going to take place. So I think what you'll see is a pretty big base investment need for Syncrude that is included in our fiscal planning and financial planning that we shared with you today. You know, we actually—

Randy has alluded to this—we see so much opportunity in improving the base business performance at Syncrude that we are much more focused on doing that right and doing it first than we are in the next expansion. And that's why this team is there, all the owners at Syncrude are committed to that and frankly if you look at Imperial and Exxon Mobil, that's the nature of who we are, much different than a lot of our competitors. We wring money out of the existing assets before we go on to the new ones. And in Syncrude there's a lot of wringing that we're going to do yet.

MARK STUMPF (Investor Relations, Imperial Oil Limited): I'd like to thank everybody for coming today. Lunch is ready to be served out in the hospitality area and certainly welcome you to join us for lunch today. Thank you very much.

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