

**Remarks by T.J. Hearn, chairman, president and chief executive officer
to the Annual Meeting of Shareholders
Calgary, Alberta
May 1, 2007**

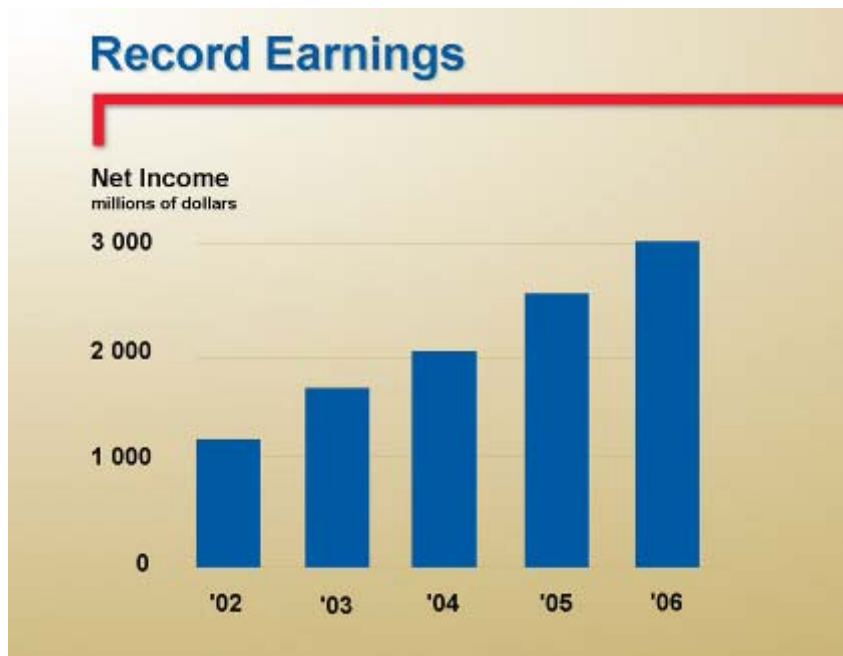


At this point in the proceedings, it's my pleasure to report to you on the company's progress in 2006 and our plans for the future.



The theme of this meeting is energy leadership — yesterday, today and tomorrow. And certainly our company continues to contribute to Canada's energy future by being an industry leader on many fronts. Today I'd like to illustrate this leadership by focusing on progress achieved over the past year.

A highlight was financial performance....



Last year's earnings of more than \$3 billion were the highest in history — surpassing the previous record set in 2005 by more than \$400 million or nearly 60 cents a share. Once again, we benefited from higher oil prices and strong refining margins, and sustained global demand for energy products.

We continued to maintain a strong balance sheet. At year-end, the total debt-to-capital ratio was 17 percent. And Imperial remained the only Canadian industrial corporation with a triple-A rating from Standard and Poor's.



Return on average capital employed was an industry-leading 36 percent. More than \$2 billion was returned to shareholders through share repurchases and dividends, and for the 12th year in a row regular per-share annual dividend payments were raised.

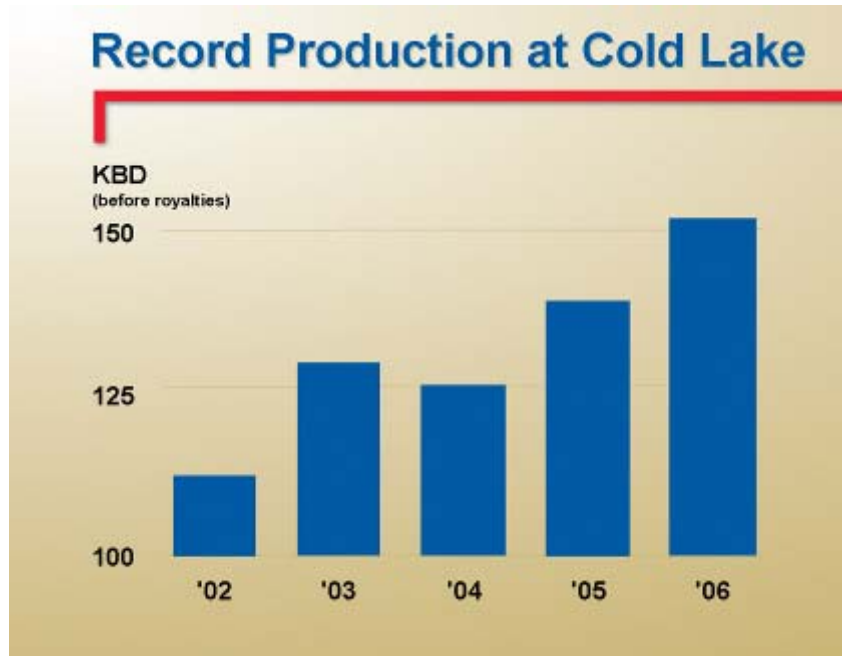


Over the past decade, total annual shareholder return has averaged 22 percent. That means that if you invested \$100 in our shares in 1996, at the end of 2006, they would have been worth \$727 – an appreciation of over 600 percent. As you can see, that is substantially more than an equivalent investment in either the energy index or the composite index on the Toronto Stock Exchange.

These results were achieved in a period of unprecedented industry growth. This high level of activity has put pressure on costs, reinforcing the need to execute a consistent strategy — one that is simple to describe but often hard to emulate. It involves ensuring operational excellence, maintaining investment discipline and engaging in prudent financial management. It's a proven strategy that has contributed to long-term growth in shareholder value.

And certainly last year, progress was achieved on all aspects of our strategy.

Let's start with volume performance....



The Cold Lake operation continues to be Canada's premier thermal in-situ development. Last year, the operation achieved record production at 152,000 barrels a day. This is up nearly 10 percent over 2005 levels, and plans are under way to expand the operation in 2007. This expansion will be carried out using advanced "megapad" technology that allows greater access to the resource with lower costs and a reduced environmental footprint.



Our company is also involved in Alberta's oil sands through a 25 percent ownership in Syncrude. Last year marked the completion of Syncrude's stage 3 expansion, one of the most ambitious engineering projects in Canadian history. This has boosted production capacity to 350,000 barrels of synthetic crude oil a day, and this operation now delivers more than one-tenth of the country's crude oil production.

Downstream Market Leader

- **Top market share for finished lubricants**
- **Largest market share for domestic fluids**
- **Leading N.A. position for polyethylene**
- **Leading position in retail service station business**

In the Downstream, we also continued to be Canada's largest refiner. And we sustained market leadership in other areas, including:

- the top market share position for finished lubricants
- the largest share of the domestic fluids market
- leading positions in North American markets for polyethylene
- and a leading position in the retail service station business

The refining business made a number of investments in 2006 to meet regulatory requirements and further enhance performance. For example, extensive refinery modifications were completed to produce ultra-low sulphur diesel fuel. Imperial now produces motor fuels that are among the cleanest in the world.

Not to take away from these achievements, there were some disappointments. Most notably, operations reliability in our refining network was lower than expected and led to supply disruptions in late 2006 and in the past few months. We deeply regret that this has resulted in inconveniences to customers and associates, and we are continuing to work very hard to ensure our supply network is in good shape to deliver on all commitments to our customers.

Managing cost performance is also essential to improving the base business.



This shows the company's operating costs in 1995 and again in 2006 with energy costs normalized. Over this period, \$2 billion in cost efficiencies have been achieved.

Sheelagh Whittaker has already discussed our safety and environmental performance.

As noted, our overall record in safety and environment remains strong. However, we haven't consolidated all the gains made in previous years. So, we still have considerable work to do, particularly in the areas of improving contractor performance and reducing operational incidents. We are committed to ensuring that the initiatives being implemented will improve performance.



As we continue efforts to strengthen operations, we're also taking steps to advance growth projects.

As a leading member of Canada's oil and gas industry, we can, and will, help develop Canada's resources and contribute to the nation's prosperity, building on the Imperial advantage to grow the business. With a resource base of about 13.5 billion oil-equivalent barrels that is second to none in Canada, the company has an enviable position. Our portfolio of oil and gas properties is focused on Canada's key hydrocarbon-rich properties.



One of the most promising opportunities is Kearn, an oil sands project just north of Fort McMurray. By any measure, Kearn represents the best new mining opportunity in Alberta's Athabasca region. The resource

is high quality and accessible to open pit mining. Plus, the size of the resource is significant — about 4.6 billion barrels — and there is the potential to produce up to 300,000 barrels a day over a 40-plus-year lifespan.

Last year, the project advanced significantly. Public hearings were held in late 2006, and on the strength of the project proposal and a successful community engagement process, the project received regulatory approval earlier this year. Next steps involve reviewing the conditions of this and advancing engineering work to further define project design and execution strategies.



Turning to Canada's East Coast, we are exploring in the Orphan Basin off the coast of Newfoundland. This is a vast, largely unexplored offshore area that represents an exciting new frontier for the company. Last year, the first well on the leases was drilled in over 2,300 metres of water — making it one of the deepest wells ever drilled in the offshore industry.

Mackenzie Gas Project



- **Vital new source of energy**
- **Economic benefits**
- **Cooperation required among many parties**

Finally, I would like to update you on the Mackenzie gas project. As stated previously, this project represents a significant, vital new supply source for the North American market. It will provide employment and business opportunities to the people of the North, billions of dollars in royalties, taxes and other revenues to governments, benefits to resource developers and significant economic growth and opportunity for our country. Clearly, ultimate development will benefit many Canadians.

However, advancing a project of this magnitude continues to be a highly complex process. It is facing significant pressures in terms of costs, schedules and regulatory process. Earlier this year, we announced a revised cost estimate and project schedule. Bringing this to completion will take cooperation among many different parties, including energy companies, northern communities, regulatory agencies and governments. Consequently, current project activities are focusing on the regulatory process and discussions with the federal government on a fiscal framework. We continue to be hopeful that this pipeline will be built.



First Quarter Results

I would now like to report on first quarter 2007 results. Imperial's net income for the first quarter of this year was \$774 million, or \$0.81 per share, versus \$591 million or \$0.59 per share in the first quarter of 2006.

The main contributing factors for increased earnings were higher realizations for Cold Lake heavy oil and higher Syncrude volumes. Lower operating costs and share-based compensation expenses, plus higher gains from asset divestments also had a positive impact. Partially offsetting these factors were lower conventional resources volumes, lower natural gas realizations and higher royalties on Cold Lake heavy oil production. Stronger industry refining and marketing margins were essentially offset by the impact of refinery operating unit shutdowns.

As you can see from this overview, 2006 and the first quarter of 2007 overall have generated strong results with continued progress on our growth opportunities. This reaffirms the company's strategy of continually improving operations while pursuing quality investments.

In past years, I have used this forum to comment on issues important to our company and our shareholders.



Today I'd like to share a few thoughts about energy and the environment.

Now more than ever, the production and use of oil and natural gas within our society has come under considerable discussion.

In this regard, it's worth remembering that oil and natural gas provide the fuels that generate much of our heat, light and transportation and provide the building blocks for many essential daily products. Our industry has been, and remains, a major contributor to the Canadian economy and the Canadian way of life. We remain the country's largest private sector investor at more than \$30 billion per year for oil and natural gas production. In addition, our industry activity creates many jobs in many different sectors, which are filled by people from every part of the country.

These contributions are significant. At the same time, it's also important to recognize that they represent only one facet of our activities. In developing our country's abundant oil and gas resources, we must pay particular attention to the environment.

Canadians don't want to — and need not — choose between a cleaner, healthier environment and reliable, affordable energy. Both are important.

Our challenge continues to be meeting energy demand reliably, efficiently and responsibly. Not only will we have to find ways to access, produce and process new sources of oil and natural gas, but we must do so in a manner that minimizes our impacts on the environment. This will require producing what we want — crude oil, natural gas, petroleum products and chemicals — while reducing what we don't want — wastes and emissions.

Are we up to this challenge? Absolutely. As an industry we've proven our ability to simultaneously meet these expectations with success. As our nation's economic strength increases and our technological prowess expands, we have every reason to be confident that we'll be able to meet tomorrow's challenges with equal success.

Over the years, the root of this success has always been the same: growth, technological progress and market forces. For a long time, growth, prosperity and wealth have created the conditions that have allowed developed countries, such as ours, to climb to ever higher levels of achievement.

Consider, for example, the progress that has occurred over the last century as we've increasingly shifted our energy-mix from wood and coal to oil and natural gas, producing cleaner and cleaner fuels along the way. In particular, take automobiles, where new technology has greatly enhanced environmental performance, with even greater advances expected with new engine and fuel technologies. The quality of life in our country remains strong, and it continues to improve, thanks in part to a strong and resilient energy industry.

The energy industry is evolving; and our company is committed to doing its part. By working hard to reduce emissions from operations. By finding new efficiencies that save money and reduce impacts. By investing in research and development. And by always demanding further improvements. In effect, a process of continuous improvement.

In the future, our industry will continue to face tough challenges. But tough challenges can be solved through human ingenuity, technological innovation and sound public policy. In the end, this effort can lead to breakthrough results that significantly improve our energy future — and our quality of life — as Canadians. Our industry — and our company — have always operated at the technological frontier. I see this continuing.



Looking ahead, I believe your company's future holds much promise. Various elements distinguish us in the marketplace.

First, there's the strength of our people. We've been in this business for a long time. We owe our success throughout history ultimately to the creativity and dedication of our people. Our employees have been, and are, our greatest source of competitive advantage. On behalf of the Board of Directors and our shareholders, I want to personally thank all our employees for their ongoing excellence and contributions.

We also have one of the Canada's leading resource positions and a steadfast commitment to strategically focused research and technology development. We have access to global-scale best practices through our relationship with Exxon Mobil.

And finally, there's our focus on discipline. We know what our main business is, and we are highly committed about the way we run it. We are keeping a clear focus on systems, sound governance and integrity. We continue to invest prudently with a long-term perspective. And we are facing today's energy challenges in a safe, environmentally and socially responsibly way.

And so we begin 2007 with confidence and a strong purpose. The future is both challenging and exciting. As always, we are determined to build upon our position as a leading energy provider in Canada, dedicated to increasing shareholder value.

Thank you.