

**Paul A. Smith, Controller, Senior Vice-president, Finance and Administration**

**Imperial Oil Limited, speaks to the Peters & Co. Limited**

**North American Oil and Gas Conference**

**Toronto, Ontario, September 13, 2005**



 **Imperial Oil**

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**Peters & Co. Limited**  
**North American Oil & Gas Conference**



**Focus on Long-term Growth**

**Paul A. Smith**  
Controller and Senior Vice-President  
Imperial Oil Limited  
September 13, 2005

- Good morning. I always enjoy the opportunity to talk about Imperial Oil and it's a pleasure to be back here in Toronto with you today.

The logo for Esso Imperial Oil, featuring the word "Esso" in a red circle and "Imperial Oil" in blue text.

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## Cautionary Statement

This presentation contains forward-looking information on future production, project start-ups and future capital spending. Actual results could differ materially due to changes in project schedules, operating performance, demand for oil and gas, commercial negotiations or other technical and economic factors.

Oil-equivalent barrels (OEB) may be misleading, particularly if used in isolation. An OEB conversion ratio of 6,000 cubic feet to one barrel is based on an energy-equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

Slide 2

- I need to start by reminding you that this presentation contains forward-looking information. Actual results could differ materially due to changes in project schedules, operating performance, demand for oil and gas, commercial negotiations or other technical and economic factors.
- My remarks today will be in Canadian dollars and where I reference oil equivalent barrels, the conversion rate is stated here.



**Esso Imperial Oil**

## Imperial Oil Limited

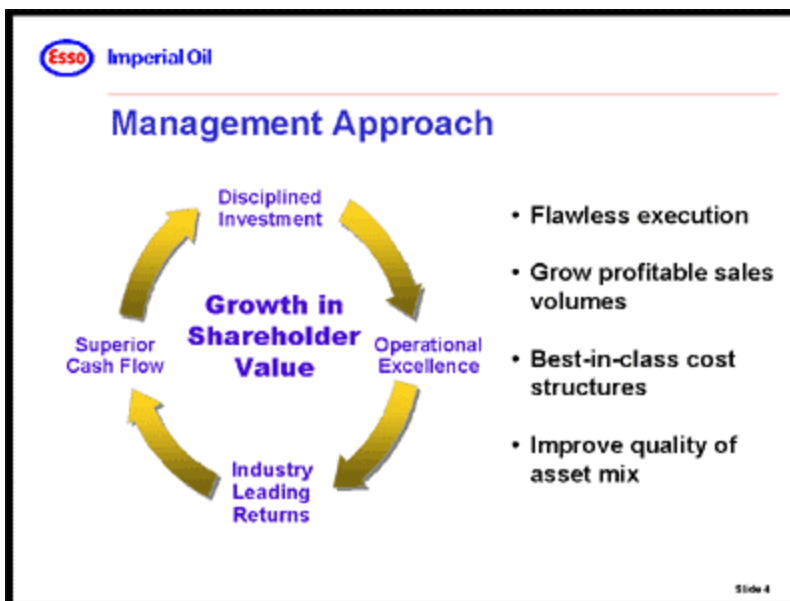


- **Largest integrated in Canada**
  - market cap: C\$40 billion
  - 2004 – EAT \$2.1 billion; ROCE 28%
- **Net proved reserves\*: 1.7 GOEB**
- **Net unproved resource: 11.5 GOEB**
- **Upstream production: 360 KOEB/D**
- **Major oil sands producer: 200 KBD**
- **Leading refiner and marketer**
- **Chemical sales: > 1.2 MT/year**

\* Before year-end price/cost revisions

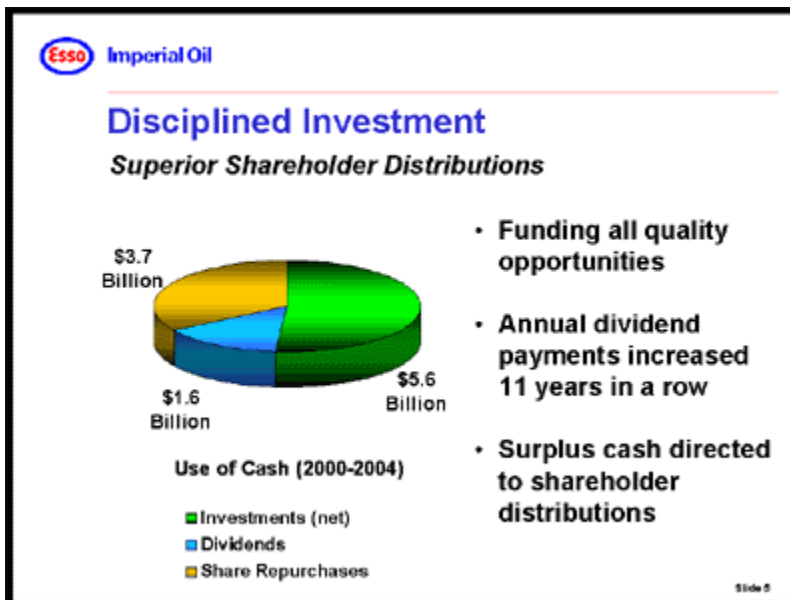
Slide 3

- Imperial is Canada's largest integrated oil company - with interests ranging from oil and gas production to refining, marketing and petrochemical manufacturing.
- The company's market capitalization is over \$40 billion, with 2004 earnings after tax at a record \$2.1 billion, and a return on capital employed of almost 28% -- an industry-leading performance.
- At year-end 2004, Imperial's total proved reserves stood at just over 1.7 billion oil-equivalent barrels (before 2004 year-end price and cost revisions) while the non-proved resource base was six times larger at about 11.5 billion barrels.
- Imperial is a major upstream producer, with average production last year of about 360,000 oil-equivalent barrels a day, more than half of which came from oil-sands operations.
- The company is the largest refiner and marketer of petroleum products in Canada, with a substantial base in petrochemical operations.



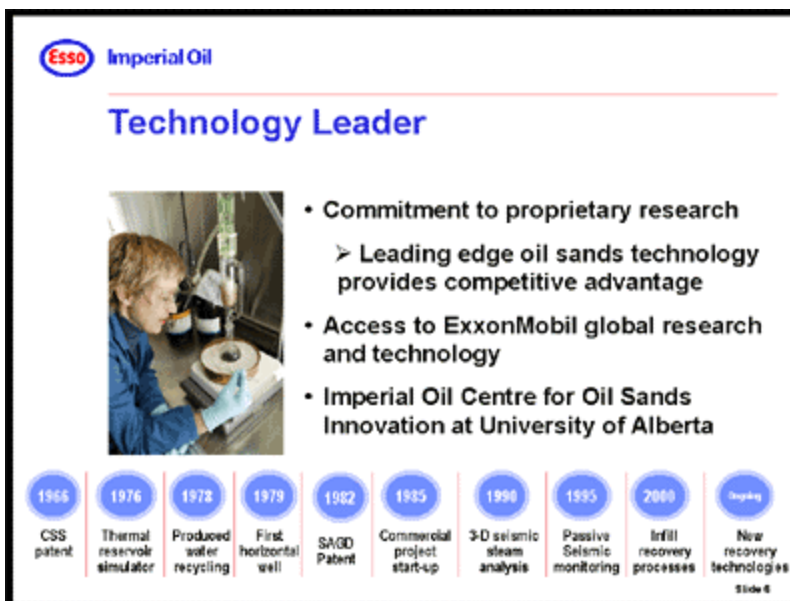
- Imperial is distinguished in the market in many ways. But fundamentally it is our disciplined management approach that sets us apart.
- The company has a solid track record of enhancing shareholder value through this consistent management approach and sustained emphasis on four corporate priorities.
- The first priority is to achieve operational excellence and strive for flawless execution in all we do. This means carrying out the day-to-day fundamentals of the business better than the competition -- ranging from safe and reliable operations to providing our customers with high quality products and services.
- A second priority is to grow profitable sales volumes.
- The third is to achieve and maintain a best-in-class cost structure in every part of the business.
- And finally, the fourth is to improve the productivity of our asset mix. This includes further investments in high-performing assets, divestment of non-core assets and acquisition of new opportunities.

- It is this commitment and approach over many years that distinguishes Imperial Oil and provides a significant advantage to our shareholders.




- Imperial's business model is also designed to look beyond short-term fluctuations and to focus on long-term fundamentals.
- This investment approach coupled with a focus on operational excellence and quality returns on capital have led to strong results while maintaining superior shareholder returns and distributions.
- As you can see on this chart, the first and best use of cash is to fund all quality investment opportunities. These investments are expected to generate double-digit returns.
- After all good investments have been funded, if surplus cash is available our investment criteria are not watered down in the belief that we must find ways to spend it.
- Rather we return it to shareholders through dividend payments or share repurchases.

- \$5.3 billion has been returned to shareholders from 2000 to 2004 and annual dividend payments have increased every year for the last 11 years.



**Esso Imperial Oil**

## Technology Leader



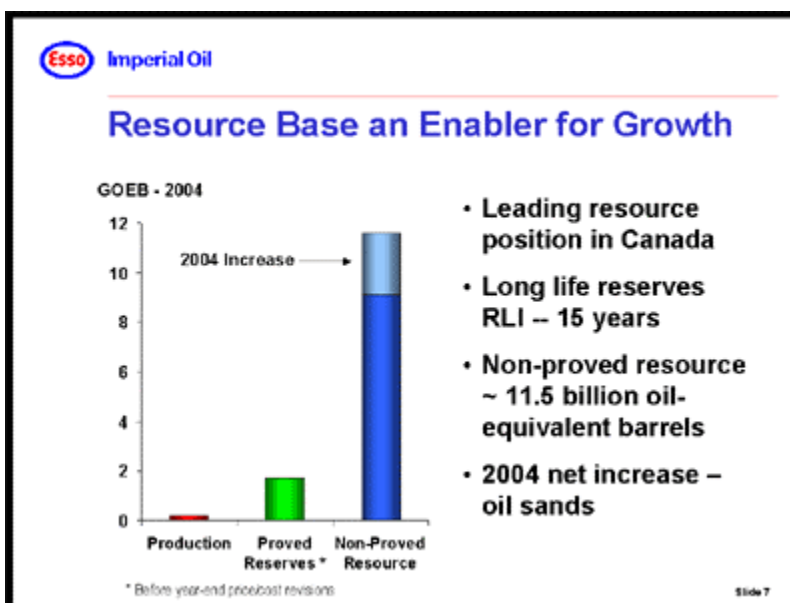
- Commitment to proprietary research
  - Leading edge oil sands technology provides competitive advantage
- Access to ExxonMobil global research and technology
- Imperial Oil Centre for Oil Sands Innovation at University of Alberta

1966	1976	1978	1979	1982	1985	1998	1995	2000	Ongoing
CSS patent	Thermal reservoir simulator	Produced water recycling	First horizontal well	SAGD Patent	Commercial project start-up	3-D seismic steam analysis	Passive Seismic monitoring	Infill recovery processes	New recovery technologies

Slide 6

- Imperial has always been a technology leader in the Canadian oil and gas industry with a long-standing commitment to proprietary research carried out in our own 2 research centres.
- The company has been involved in oil sands research for almost 40 years and has developed some of the most significant advancements in this area. Some of these are shown across the bottom of this chart, including the SAGD process, cyclic steam stimulation and produced water recycling. These developments represented major, proprietary technological advances that helped make commercialization of Imperial's own Cold Lake heavy-oil production project possible -- and in fact -- paved the way for the large-scale commercialization of Canada's oil sands industry.
- At Cold Lake alone, more than \$250 million was invested on research and technology development before the start-up of the commercial project in 1985. And since project start-up, expenditures in research and development continue and have averaged more than \$25 million per year.
- In addition to our own in-house research, the relationship with our major shareholder, ExxonMobil, allows for the opportunity to participate in over \$1 billion of research worldwide and provides for full access to their industry-leading technology.

- In October 2004, Imperial and the University of Alberta announced the creation of The Imperial Oil Centre for Oil Sands Innovation. We have pledged to contribute \$10 million over the next five years to establish this new research facility at the university with a mandate to find more efficient, economically viable, and environmentally responsible ways to develop Canada's oil sands.
- We continue to believe that technology is the key to the profitable and responsible development of the oil sands.



- As I have mentioned, Imperial has not lacked quality investment opportunities and we invest in a prudent manner looking to ensure sustained earnings growth.
- Imperial holds the leading resource position in Canada. The size and diverse asset base of our resource portfolio will enable us to grow in a measured and productive way.
- This chart shows our annual oil and gas production on an oil-equivalent basis for 2004 at over 115 million barrels. By comparison, our net proved reserves were over 1.7 billion barrels at year-end.

- Imperial's proved reserves have a reserve life index of almost 15 years based on current production levels.
- But proved reserves are only a portion of Imperial's total resource potential. At the end of 2004, non-proved resources totaled about 11.5 billion barrels including an increase last year of some 2.5 billion barrels resulting from activities on our oil sands leases, most notably the delineation drilling at Kearl.
- Said another way, our total resource base represents over 100 years of production at current rates.



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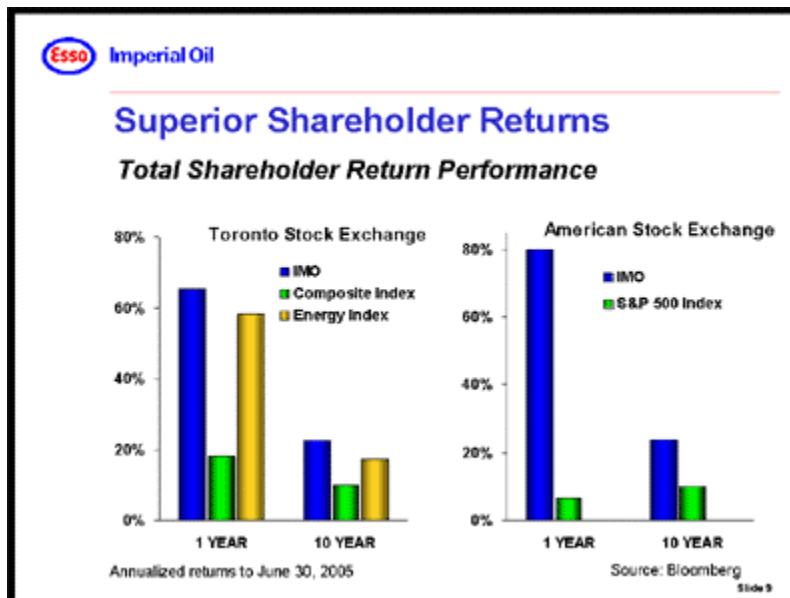
### Market Leader in the Downstream

- 19% Retail Market Share - #1
- 500 kb/d Refining Capacity - #1
- 31% Finished Lube Oil Market Share - #1
- 50% Solvents Market Share - #1
- Polyethylene North America Leadership
  - 49% Rotational Molding share - #1
  - 21% Injection Molding share - #2

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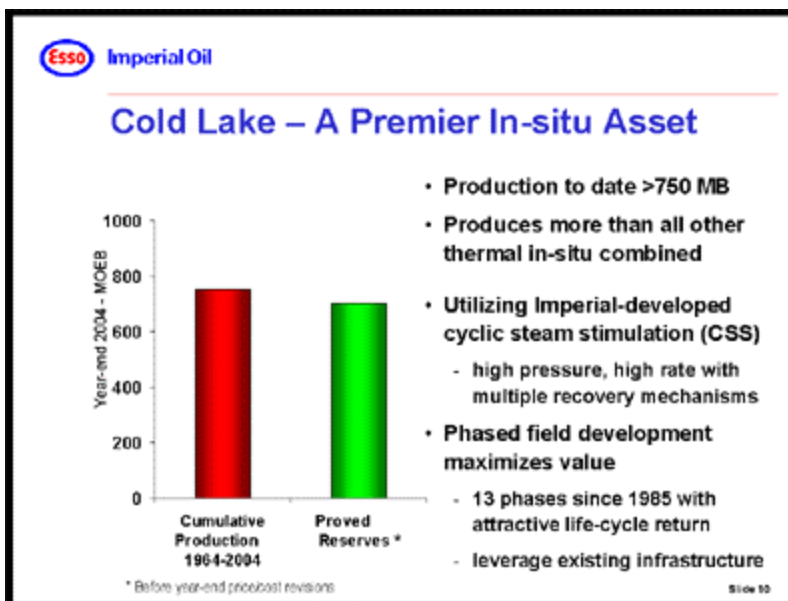
- Imperial is a market leader in the downstream in Canada.
- We have the leading market share in the retail service station business in Canada at about 19%.
- We are the largest refiner in Canada with over five hundred thousand barrels per day of capacity with facilities in Western Canada, Central Canada and Eastern Canada.

- Because of our industry leading research capability in Sarnia Ontario, coupled with manufacturing and technical capability second to none, we have the number one position in finished lubricants at more than 30% and growing. We are the only Canadian competitor with manufacturing, blending and packaging capability for lubricants in both the east and the west -- a key strategic advantage.
- We have the largest share of the domestic solvents market in Canada at close to 50%. This product finds its way to a multitude of end uses from adhesives, to paints and the like. When you buy a bottle of Varsol anywhere, that is not a product name, that is our brand name.
- And we have the #1 and #2 North American market share positions for the two key end use polyethylene segments that we participate in -- rotational molding and injection molding applications.



- For shareholders, Imperial's strategy of continually improving base operations and investment discipline in quality future opportunities has translated to superior returns.

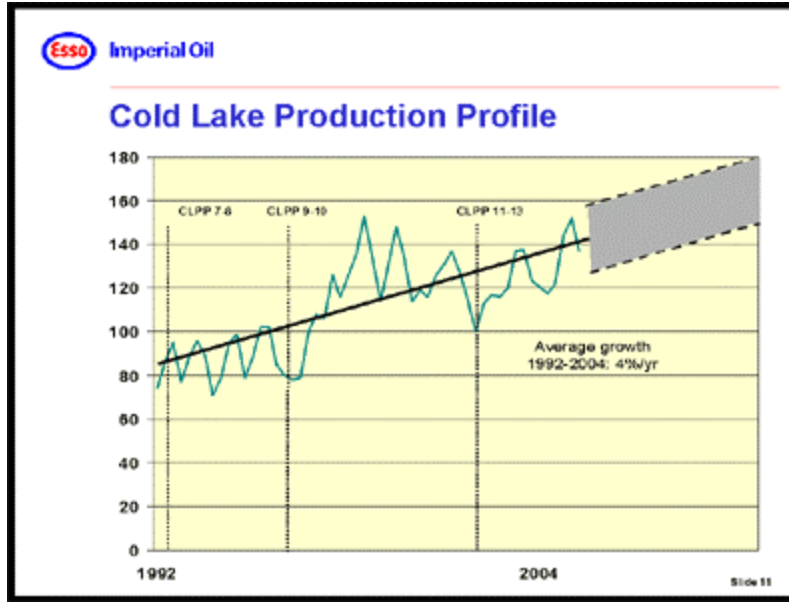
- These charts show the total shareholder return for investors in Imperial both on the TSX and the AMEX . As you can see, whether over the past year or the past 10 years, investors in Imperial have enjoyed very favourable returns for their investment.
- On average, Imperial shares have seen returns of over 20 percent per year over the past decade on both the TSX and the AMEX.
- I'd like to turn now to a review of some of the key assets in the upstream side of our business.



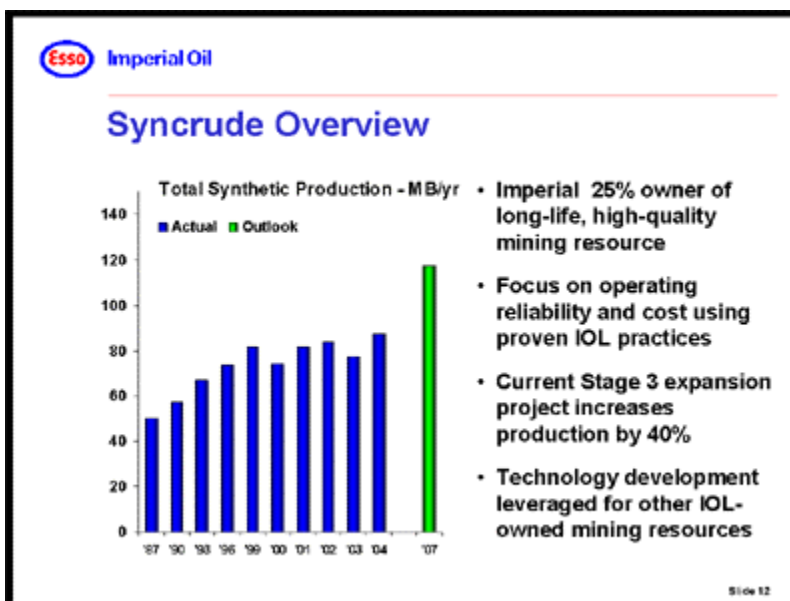
- Imperial's 100-percent owned and operated Cold Lake development is a premier oil-sands asset. It is the largest in-situ recovery operation in Canada and one of the largest thermal heavy-oil recovery operations in the world.
- Since we began pilot production at Cold Lake in the mid-1960's we have produced over 750 MB of bitumen from this vast reservoir. And as you can see from the chart on the left, there is still more to come. At the end of 2004, net proved reserves at Cold Lake were about 700 MB and there is significant non-proved resource also associated with this site.
- Cold Lake production is currently trending at about 145 kbd for the first half of 2005. To put this in perspective, Cold Lake produces more than all other thermal in-situ projects combined in Canada.
- We produce Cold Lake using our own in-house developed Cyclic Steam Stimulation process -- a high-pressure, high-production technique that combines multiple recovery mechanisms including compaction, solution gas expansion and gravity drainage.
- The CSS process is not available to all in-situ operations in Alberta as you need a deep reservoir with a substantial capping shale barrier as exists at Cold Lake and in

some areas of the Peace River. In the Athabasca region, where the reservoir is shallower, CSS is not an option and operators must use SAGD.

- Imperial has been very deliberate - and successful - in pursuing a phased development approach at Cold Lake. This approach has allowed us to maximize value by learning as we go, while minimizing the operating and investment risks associated with a multi-billion dollar development of this size.
- There are 13 phases of commercial development in operation which have been developed over the last 20 years and Cold Lake has delivered a very attractive life-cycle return on our investment.
- Looking forward, our focus in the near-term will be on further development of these phases leveraging existing infrastructure on site.
- This approach is consistent with the disciplined strategy Imperial pursues. Commercial development and investment for a stand-alone project or expansions will be taken forward only when they are seen to yield attractive returns at long-term prices.

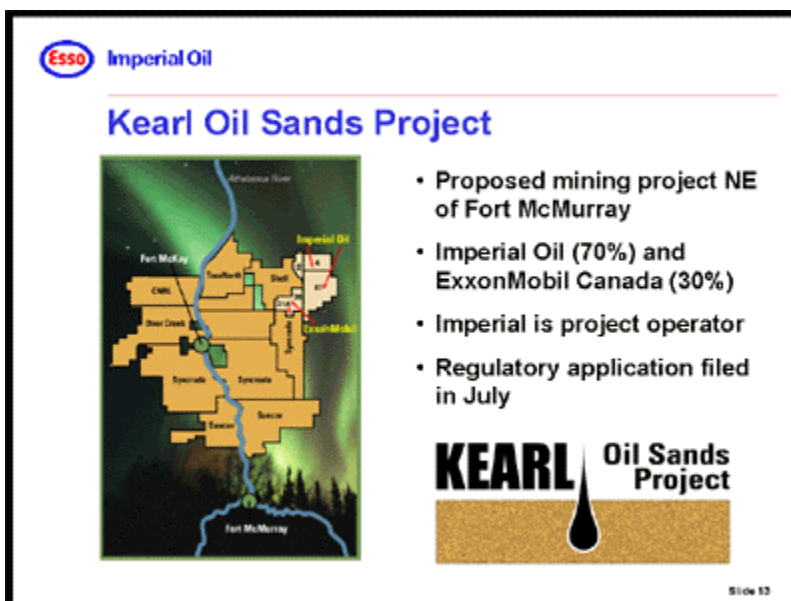



- This chart illustrates the production trends at Cold Lake and highlights the cyclic nature of the cyclic steam stimulation process at the site.
- The green line on the graph shows bitumen production from 1992 to the second quarter of 2005.
- You can see that the average annual production growth over the past 12 years has been about four percent per year (illustrated by the solid black line). Within that overall growth there is significant bitumen production variation over time. In fact, it's not uncommon to experience changes in production of as much as 20,000 barrels a day from one quarter to another. As you can see, we were on a cyclic low for most of 2004, but began an upturn at the end of the third quarter, which continued into early 2005.
- The bottom line is that, despite the cyclic production, Cold Lake provides an opportunity for long-term, production growth, but there will be swings in production due to the recovery process that we utilize.
- Which is a point to remember when you look at our quarter-to-quarter results.




- Imperial is the second largest owner in Syncrude with a 25-percent ownership in this long-life, high-quality mining resource.
- Syncrude is the largest oil-sands project in the world, with a resource base to support decades of production. Production was about 87 million barrels for the site as a whole last year or about 60,000 barrels a day for Imperial.
- The focus at Syncrude continues to be operating reliability and cost efficiencies using proven IOL practices. As you can see from the chart on the left, annual production has steadily increased over the past 20 years but there have been some bumps along the way.
- The Stage 3 expansion at Syncrude that is currently underway was approved in 2001 and includes the Aurora 2 mine and Upgrader expansion. The Aurora 2 mine has been operating since late 2003 and was completed within budget and on-schedule.

- The upgrader expansion, which includes the addition of a third, 100,000-barrel per day fluid coker, will increase site production by about 40% once we start up in early 2006 and will also improve overall synthetic blend quality for the entire Syncrude site.
- As you are likely aware, early last year the Syncrude owners received a revised cost (C\$7.8 billion) and schedule estimate for the Stage 3 expansion project indicating higher costs and a later start-up.
- Since that time, a team of experts from the project owners and Syncrude have taken intervention steps to ensure the remaining project work is adequately managed to achieve the revised cost and schedule.
- To date the expansion project is tracking to this revised schedule.
- The Syncrude operation continues to develop and evaluate new mining and upgrading technology and these developments will be leveraged for other IOL-owned mining resources.




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### Kearl Oil Sands Project



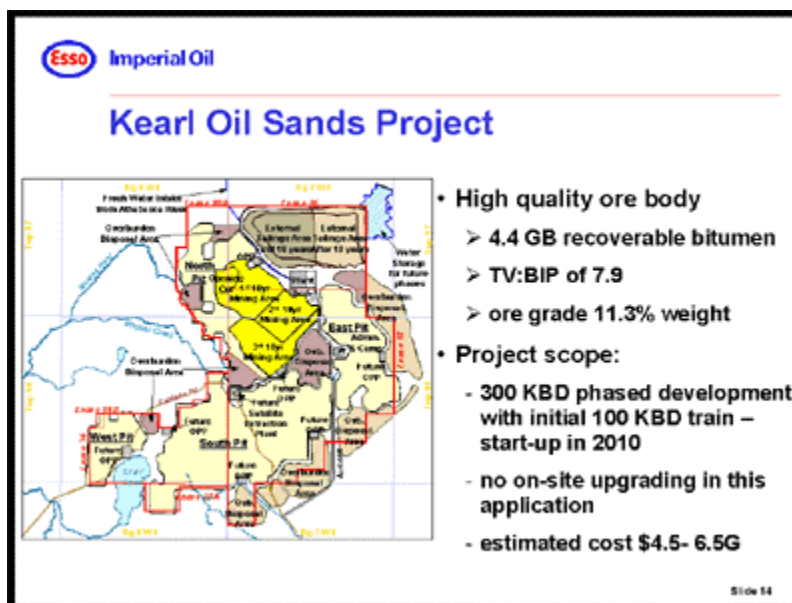
- Proposed mining project NE of Fort McMurray
- Imperial Oil (70%) and ExxonMobil Canada (30%)
- Imperial is project operator
- Regulatory application filed in July



**KEARL** Oil Sands Project

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- Imperial holds extensive oil sands interests outside of Cold Lake and Syncrude Canada.
- Currently, we are developing a proposed mining project northeast of Fort McMurray, Alberta near the Syncrude operation.
- Imperial and ExxonMobil Canada are progressing work on a potential joint mining development on the leases shown here, with Imperial serving as operator for the joint venture.
- Regulatory application for the project was filed in July of this year.

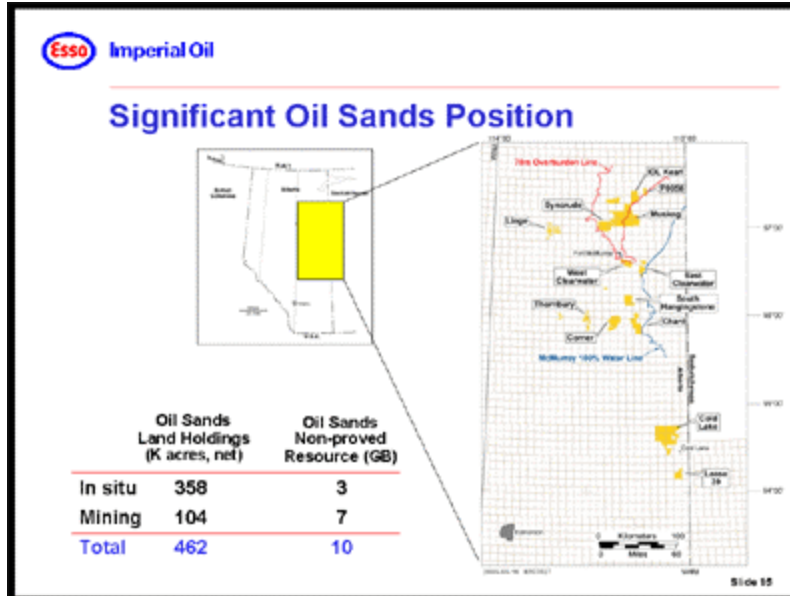


- The map on the left gives more detail on the proposed mining site.
- Let me first say that this is an excellent resource by any standard. The Kearl project would develop a high quality ore body with over 4.4 billion barrels of recoverable bitumen on the combined leases -- this would support production of 300,000 barrels a day for over 40 years.
- In terms of quality, Kearl is a top-tier mining asset with a TV: BIP of only 7.9 and a bitumen grade of 11.3%. For those not familiar with the term TV:BIP, it is basically the ratio of the "total volume" of material -- overburden and oil sands -- that must be


moved per volume of bitumen produced (or "in place"). The lower the ratio the better. To put this in perspective, current projects under construction are working with TV:BIPs in the range of 10 to 11.

- The design basis for the proposed project involves a phased development approach with an initial development of 100,000 barrels a day, and later expansions to 300,000 barrels a day.
- No on-site upgrading was included in the application and a range of upgrading options is being evaluated.
- At this point in the development, the estimated cost for Kearl is between \$4.5 and \$6.5 billion.
- Before I finish my discussion of Kearl, I would like to make a few comments on our approach to upgrading for the project.
- Imperial and ExxonMobil have unparalleled business and operational experience with upgrading and the financial capacity and project know-how to deliver a major facility expansion.
- Any refiner will tell you that the most economic upgrading investment is made as "creep" capacity -- small, incremental increases to existing capacity. This is always the first and best investment to make.
- Given that Imperial already processes about 80 kbd of heavy crude within our own refining circuit, we are working to assess and develop all incremental investment opportunities we have for heavy crude.
- Also, we are assessing all market creep that we expect to see within the larger existing market for Canadian heavy crudes -- PADD II and PADD IV -- as well as those in PADD III with the reversal of the Corsicana 80 KBD pipeline south from PADD II to the Gulf Coast refining centre later this year.
- Bottom line, we are working to minimize front-end investment with the first 100 KBD phase of Kearl and better assess the growing market opportunities for heavy crudes.

- Detailed studies continue and we have not ruled out upgrading facilities associated with the Kearl project.




- Imperial's oil sands holdings are extensive and I'd like to briefly outline our interests in addition to Cold Lake, Syncrude and Kearl.
- Imperial holds over 460,000 acres of oil-sands leases, situated in the Athabasca and Cold Lake regions illustrated on this map.
- In terms of acreage, some of it is amenable to mining, but as you can see from the table in the bottom left-hand side of the slide, the majority of Imperial's other acreage is more suitable for in-situ development.
- Including Cold Lake and Kearl, there are up to 10 billion barrels of potentially recoverable resource on Imperial's undeveloped acreage, a significant inventory of future opportunities for the company.
- Let me turn now to our major interest in Canada's Far North.... the Mackenzie Gas Project.

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### Mackenzie Gas Project

- Regulatory applications filed October 2004
- 1.2 GCF/day open access pipeline utilizing spare capacity in existing system
- Projected investment -- \$7G
- \$350M spent to date
- April 28 announcement to halt field work to focus on benefits and access negotiations, fiscal arrangements and regulatory process



The map shows the Mackenzie River flowing north from the U.S.A. Canada border. A red line indicates the proposed gas pipeline route, starting from the Mackenzie River, passing through Norman Wells, and ending at the Inuvik Area Facility. The U.S.A. Canada border is marked with a dashed line.

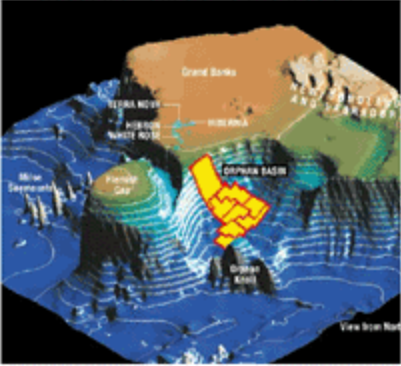
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- In October 2004, Imperial Oil as project lead and operator of the proposed Mackenzie Gas Project filed the regulatory applications on behalf of the project co-venturers -- Imperial, ConocoPhillips, Shell Canada, ExxonMobil Canada and the Aboriginal Pipeline Group.
- This project is focused on development of Canadian onshore gas resources discovered in the Mackenzie Delta region in the early 1970s.
- The project application is based on a 1.2 BCF/day pipeline that is expandable to 1.9 BCF/day with additional compression. The pipeline will be open to other potential shippers.
- Looking at the map on the right, gas produced will be transported through a gas-gathering system to a common facility located near Inuvik. In the common facility, the gas will be separated from the NGLs and compressed before being sent south in a buried pipeline through Norman Wells and ultimately connect with existing gas pipeline systems in Alberta. Natural gas liquids will be transported in a separate buried NGL line to Norman Wells and connects with the existing Enbridge oil pipeline from Norman Wells to Alberta.

- This concept utilizes proven technologies and includes specialized measures to mitigate environmental impacts.
- Total project investment is estimated at \$7 billion with the 3 anchor fields at about \$1.6 billion, the gas gathering system at \$1.6 billion and the Mackenzie Valley Pipeline itself at \$3.8 billion.
- To date, over \$350 million has been spent by the project co-venturers on fieldwork, environmental assessments, public consultation meetings and preliminary engineering in support of the project.
- On April 28 of this year, Imperial Oil on behalf of the Mackenzie Gas Project co-venturers announced a decision to halt project execution activities due to insufficient progress on key areas critical to the project. In particular:
  - the finalization of benefits and access agreements with the four aboriginal regions affected by construction of the proposed pipeline,
  - the establishment of a clear near-term regulatory process including timelines, and
  - fiscal terms consistent with the risk of the project.
- The project is now focusing its efforts in these key areas, and substantial progress will need to be made prior to the start of public regulatory hearings to allow the project to continue.

**Esso Imperial Oil**

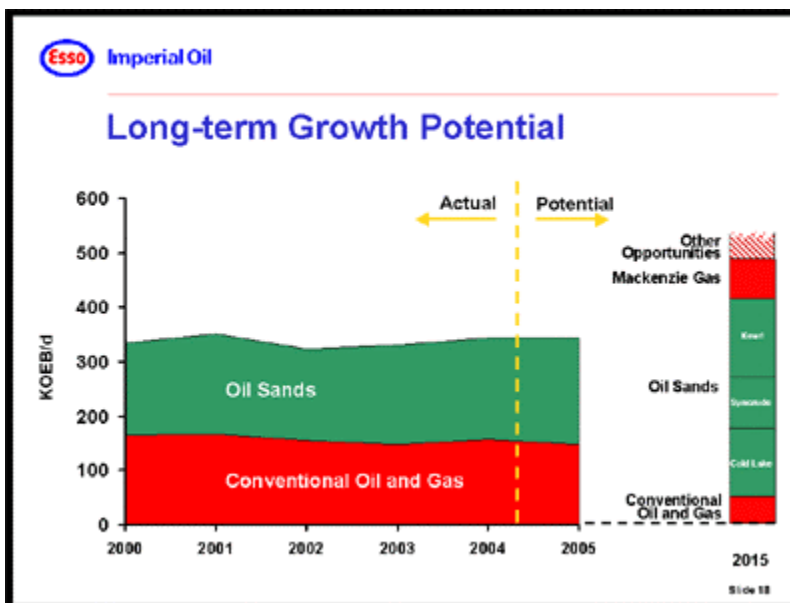
### Offshore Newfoundland - Orphan Basin



- Large, unexplored frontier basin
- Eight deepwater parcels acquired January 2004
- Work commitment of ~\$700M over five years
- Second 3D seismic program underway

Slide 17

- Turning to the East Coast of Canada, this schematic illustrates the newest area of exploration for Imperial -- the Orphan Basin off the East Coast of Newfoundland.
- This is a large, unexplored frontier basin that has exhibited favourable characteristics for hydrocarbons -- source, structure and reservoir. All have a chance of being present.
- Eight deepwater parcels -- shown in yellow here -- were acquired in early 2004 and are being explored with co-venturers ExxonMobil Canada, Chevron Canada Resources and Shell Canada.
- The co-venturers have entered into a work commitment of \$673 million over 5 years with the first seismic shoot conducted last year. A second 3D seismic program has just begun in the area.
- The Orphan Basin is in a very challenging and high-cost environment -- with deep water, icebergs and a short weather "window" to complete work. These are the types of challenges Imperial and its co-venturers are prepared to address, pending exploration success.



- This chart illustrates Imperial's near-term production profile, with conventional oil and gas operations in Western Canada in red on the bottom, and the oil sands contribution in green on top.
- The bar on the far right is a projection of potential production by 2015. The lower red portion of this bar shows the contribution expected from the conventional oil and gas business.
- Conventional volumes are expected to decline significantly toward the end of the decade. However, this decline will be more than offset by growth from the oil sands, Mackenzie Gas and other opportunities.
- The significant growth that we project for the oil-sands segment of the business, shown in green, will more than double the volume we realized from this segment last year.

- I want to point out that there is essentially no resource risk for all components of this long-term volume projection, except for the top, red cross-hatched portion, representing exploration opportunities, such as the Orphan Basin, and other potential new additions.
- Obviously, this timing and volume projection is dependent on a number of technical and commercial factors. But what this projection illustrates is that Imperial's resource base is such that we could potentially see our production volumes doubling over the next 10 years.
- However, I must remind you here that, these types of projections are just that, and actual results could differ materially due to changes in project schedules, operating performance, demand for oil and gas, commercial negotiations or other technical and economic factors.
- Now, let me close with a summary of the key points that distinguish Imperial Oil



 **Summary**


- Financially strong and disciplined
- Excellent earnings and ROCE
- Superior shareholder distributions
- Outstanding resource base
- Industry-leading technology
- Strong financial position – 'AAA'

**Focus on long-term quality earnings growth**

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- In summary, Imperial maintains a strong financial position and possesses a disciplined management approach focussed on growing shareholder value.

- Earnings are excellent and the return on capital employed is the highest of the Canadian integrated oil group.
- Imperial shareholders enjoy superior distributions through a sustained increase in annual dividend payments and an ongoing share repurchase program.
- An outstanding resource base represents significant future development and growth opportunities.
- Imperial is an industry leader in technology and continues to demonstrate a high commitment to research and technology development.
- Imperial's continued strong financial position has earned and sustained a triple-A rating from Standard & Poor's -- the only Canadian industrial with this rating.
- And the bottom line for any investor, which underpins all Imperial's strengths, is our continued focus on long-term quality earnings growth.



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*For more information*  
Imperial Oil Limited's site on the World Wide Web contains a variety of corporate and investor information. It can be accessed at <http://www.imperialoil.ca>.

*For more detailed investor information, or to receive annual and interim reports, please contact:*  
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