

**Notes for remarks by Jim Shepard
Audit Committee Chair
to the annual meeting of shareholders
Calgary, Alberta, May 2, 2006**



Thank you Mr. Chairman and good morning, ladies and gentlemen. It's my pleasure to present to you the report of the audit committee for 2005.

Today, I will report to you on the work that the audit committee performs to ensure sound governance at Imperial Oil and I will give reasons for recommending that you vote for the reappointment of PricewaterhouseCoopers as the company's auditor.

First, I'll discuss the work of the audit committee.

As a shareholder, you have put your confidence in the audit committee. So, before I begin, I want to take a few moments to tell you a little bit about us...



The committee is made up of five fully independent directors. We bring with us a wide array of Canadian and international business knowledge that provides a solid footing for understanding business fundamentals. And, collectively, we have over 20 years of experience serving Imperial's shareholders.

Now, let's turn to the committee's role.



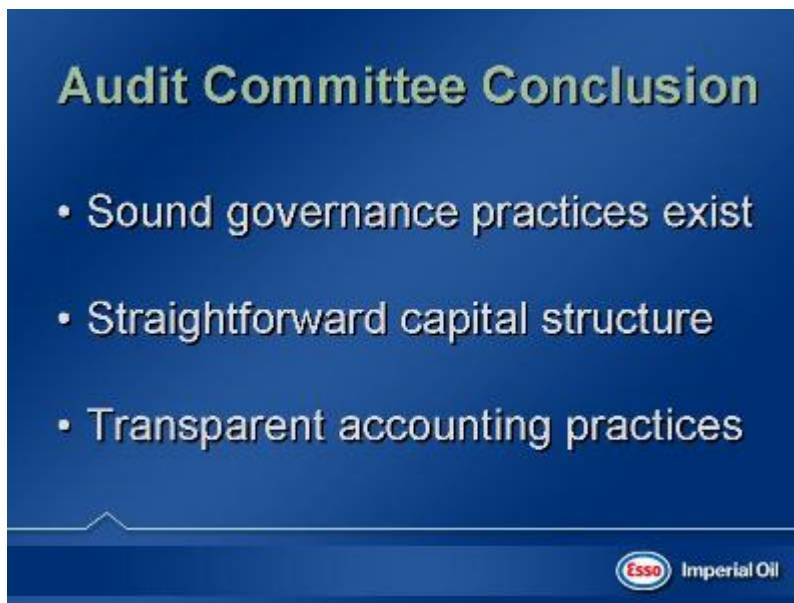
Our purpose is to assess the integrity of the financial information prepared and reported by Imperial's management.

We also assess the practices and procedures used in that preparation. We do this in order to assure you, the shareholder, of the soundness of the financial information you are presented.

To do our job well, it is imperative that the audit committee members are independent of the company. And, we are.


Impartial oversight is essential to sound corporate governance, and is paramount to ongoing shareholder, investor and public confidence. A test of our independence starts with our membership. Our committee is comprised entirely of independent, non-management directors. And, while management may be invited to attend committee meetings periodically, their role is limited to providing information. They do not participate in committee decisions.

In 2005, the audit committee met five times to review the quarterly and annual financial statements and supporting management discussion and analysis. This included reviews of accounting practices and control assessment reports from both internal and external auditors. It also covered such matters as insurance levels, site restoration provisions, oil and gas reserves reporting, and compliance with Imperial's business ethics policy.



Audit Committee Conclusion

- Sound governance practices exist
- Straightforward capital structure
- Transparent accounting practices

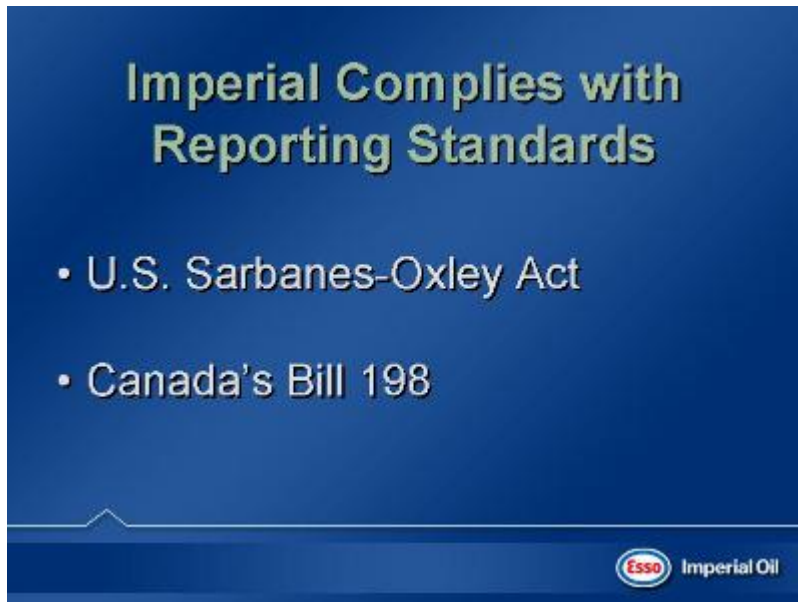


I am pleased to say that, as a result of these reviews, we have concluded that your interests as shareholders are being protected and fostered by the company's management.

The audit committee believes that sound governance practices are in place throughout the organization. The company's capital structure is straightforward. Its accounting practices transparent. Imperial does not use special-purposes entities, special adjustments or pro-forma reporting. Nor does it use derivatives to speculate or hedge on the future of commodity prices. It does not sell forward future production. And its revenues are recorded at fair value at the time of sale.

But rather than leave you with these simple assurances, I'd like to take a few moments to describe the lengths to which Imperial goes to be accountable, ethical and transparent.

One of our responsibilities is to ensure Imperial's compliance with accounting and financial reporting standards of the day.



Today, financial reporting standards include those often referred to as SOX, that is the Sarbanes-Oxley Act in the US and, most recently, with Bill 198, the new Canadian standard that mirrors SOX.

Let me give you an example of Imperial's compliance to these standards...

As you may know, the company files a Form 10-K with the US Securities and Exchange Commission that includes an internal control report prepared by management. The report from management assesses the effectiveness of the company's internal control over financial reporting as of the end of the fiscal year.

Management's Internal Control Report

- Effective control
- Compliant with SOX 404
- PricewaterhouseCoopers attested

In 2005, management concluded that the company's internal control over financial reporting was effective. And that's a good thing. But what raises the bar is that, in order to be in compliance with Sarbanes-Oxley Section 404, the company's independent auditor, PricewaterhouseCoopers, must also attest -- that means be satisfied with -- management's conclusions. In 2005, PWC attested to management's conclusion and expressed an unqualified opinion on internal controls. Imperial has been in compliance with this strict methodology for the past three years.

We, the audit committee, have also concluded that Imperial has satisfied all current regulatory requirements, including all requirements under Sarbanes-Oxley and Canada's Bill 198, and that shareholders can have confidence in these representations of management.

In terms of technical accounting standards, you will see that again in this year's annual report, Imperial's financial results are presented in accordance with US GAAP -- that stands for Generally Accepted Accounting Principles.

Use of U.S. Generally Accepted Accounting Principles

- Simplifies U.S. SEC reporting
- Consistent with international competitors

The decision to follow US rather than Canadian GAAP was made by the company in 2004. For Imperial, the differences between the two are small but the benefits are great. It simplifies Imperial's reporting to the US Securities and Exchange Commission and puts the company on a common reporting basis with other large oil companies globally. Supplemental financial information based on Canadian GAAP is provided in the annual report on pages 34 and 58.

Another role of the committee is to review all disclosures by the company, whether required or voluntary, to ensure that they are timely and relevant, and accurately communicate its financial results. Again, the committee is satisfied that Imperial has disclosed information in a timely and transparent manner.

Let's move now to business controls -- a core area of the company that the audit committee oversees and reviews...

Business Controls are Applied Rigorously

- Clear performance expectations
- Individual accountabilities defined
- Continually assessed
- Reported to management

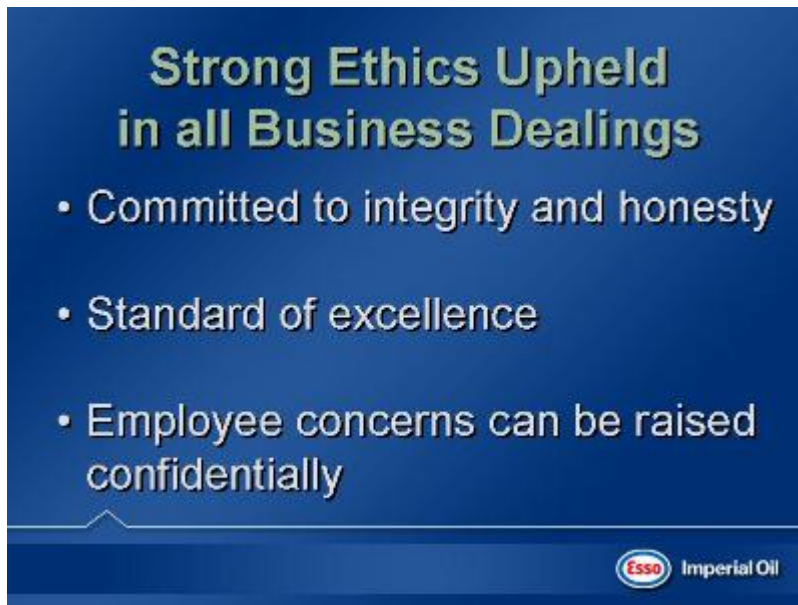
Imperial's control standards cover every aspect of the business -- whether a production facility or a refinery operation -- each unit has clear performance expectations and defined individual accountabilities.

Controls and their application are continually assessed and improved upon as a fundamental requirement of the controls management system. Any issue or opportunity for improvement is identified through regular self-assessments and internal audits. It is during these reviews that business managers are required to report to senior management on any issue identified and on the progress of corrective measures taken.

Imperial approaches control responsibility with discipline and rigour. It is, in fact, with the same level of discipline and rigour that the company employs in managing safety. Both are non-negotiable core values.

Let me share just one example with you. As you know, in 2005, the company undertook the relocation of its head office from Toronto to Calgary. I believe the success of this undertaking can be credited to the company's disciplined change management process and to its people. It was an excellent example of management's commitment to flawless execution.

Now, let's turn to a matter of paramount importance: ethical business conduct. Among Canadian corporations, Imperial stands out for its high ethical standards.



The people at Imperial are strongly committed to conducting all their business with integrity and honesty. In fact, straightforward, uncompromised business dealings are the rule at Imperial... Achieving the highest ethical standard was the guide that sculpted the company's business ethics program. This formal program -- which has been in place since the 1970s -- is widely regarded as the standard of excellence, and serves as a model program for corporations here and internationally.

To help maintain these high standards, Imperial has a process in place for handling employee concerns. It is a process that meets the requirements of the Sarbanes-Oxley Act. Some may call it a "whistleblower" program.

Here's how it works...

The company expects employees to seek counsel whenever there is uncertainty or concern over ethical standards or business practices. In fact, Imperial fosters a work environment where employees feel safe to voice ethical concerns. To encourage employees to come forward, the company has set up a confidential hotline and mailbox. Issues related to accounting, internal accounting controls or auditing matters are referred to the audit committee. During 2005, no such issues were raised.



Finally, I'd like to discuss the independence of the auditors...

As in any company, it is important that both internal and external auditors are able to conduct their work in an independent manner. The audit committee has a separate private session at each meeting with both the PricewaterhouseCoopers partner and Imperial's general auditor to obtain assurances of their independence.

And, with respect to the external auditors, one way their independence is maintained is through the regular turnover of the auditor partners working on Imperial Oil's account. This year, Paul Murphy of PricewaterhouseCoopers will be leaving as the lead partner on the account after a four-year term. I'd like to take a moment to acknowledge his work and to wish him continued success.

To further ensure the auditors' independence, the audit committee monitors the work done by PricewaterhouseCoopers. We oversee their work and payment for services received. We approve their audit program and assess the results. Finally, we also approve, in advance, any non-audit services to be performed. This is to ensure that such engagements would not affect the auditor's independence. During the past year, PricewaterhouseCoopers did not provide any such services to Imperial.

This committee has the responsibility to recommend the external auditors to be appointed by the shareholders. I am pleased to recommend to you today that PricewaterhouseCoopers be reappointed as auditors of Imperial Oil Limited. You will be asked to vote on this recommendation later in the meeting.

In closing, I'd like to reiterate that the audit committee is satisfied that Imperial Oil has met all required accounting standards in Canada and the US, has disclosed its financial information in a timely and accurate manner, and continues to show strong performance in the area of business controls.

We are also satisfied that Imperial's employees continue to demonstrate their commitment to uphold the company's core values of integrity and honesty. On behalf of the shareholders, I would like to thank them for their efforts.

I would also like to thank my colleagues on the audit committee, the board and management for their contributions to the company in 2005. And finally, I thank you, Imperial's shareholders, for your continued trust and confidence.

Mr. Chairman, that concludes the report of the audit committee.