TO THE STOCKHOLDERS:

Your directors submit herewith the consolidated balance sheet as of the 31st December, 1929, and consolidated income account for the twelve months ending on that date.

During the year, the business of the Company experienced a marked increase which by reason of the lower range of prices of products was not entirely reflected in earnings. While the turnover was larger by nine per cent. than in 1928 the earnings from operations increased four per cent. Each year a larger proportion of the Company’s revenues is derived from its own operations and those of its subsidiaries in the United States and South America and in 1929 the earnings derived from its own business were 26 per cent. of the aggregate income, which was $21,150,000.64 or 68.43 cents per share on the 32,469,798 shares outstanding on December 31 last. This compares with $22,983,886.72 in 1928 which would be 86.06 cents per share on the present basis of issued stock. The gain was largely represented by income other than from the operation of the business in this country. The revenue derived from the Imperial Oil Company, the Company’s principal subsidiary, was $6,076,906.75 in 1929 and $5,163,651.09 in 1928.

The Company paid in taxes in 1929, an amount of $3,322,000.00 or 12.44 cents per share, as compared with $2,450,922.40 or 9.20 cents in 1928 on the present basis of issued stock.

Marketing conditions remain highly competitive owing to the production of both crude and gasoline in the United States. Increasing imports have resulted in an increase in marketing outlets for products of foreign manufacture, which is entirely disproportionate to the investment in manufacturing facilities in this country. At the Company’s six refineries there has been an orderly and consistent expansion and replacement in refining equipment, based on advanced scientific knowledge, to the end of taking care, by manufacture in Canada, of the growing Canadian consumption of all grades of petroleum products. The research department has used with considerable success the intensive study of motor and other grades of lubricating oils, asphalts and asphaltic products, particularly for use in the construction of secondary highways, which are essential for the advancement of heavier means of transportation. These studies indicate that improvements can be obtained and advantages will be taken of these developed facts in our practical manufacture. It may be mentioned here that Imperial Oil Limited were pioneers in this country in the development and use of ETHYL gasoline which has since received world-wide endorsement as an advanced motor fuel, and have also pioneered in the production of low carbon content motor oils, represented by Marcol.

The new principles developed in the production of these oils are now being generally adopted by progressive manufacturers throughout the world.

The fleets of Imperial Oil Limited, and International Petroleum Company Limited, were augmented by the construction of the M.R. “Culpeo” and the purchase of the steamers “Alberita” and “Intrada.” On the other hand we regret to report that the SS “Mina Brea” became a total loss as a result of a fire at sea. With the delivery in 1929 of two new vessels the Company will have in service 11 ships of 190,907 deadweight tonnage, in addition to river and harbor equipment.

The volume of crude oil and finished products transported by water in 1929 was increased by 2,300,000 barrels over the volume for 1928. The aggregate movement approximated 26,700,000 barrels, an average of some 95,000 barrels per day.

There are approximately 14,500 registered shareholders of the Company in Canada in addition to large participation in ownership held in the form of share warrants. It is an interesting fact that the market disturbances of last autumn had the effect of an immediate and substantial increase in the number of stockholders.

WESTERN CANADA:

As a whole results of the development campaign in the Turner Valley fell short of expectations in that the production secured was not commensurate with the capital expended in the drilling of wells. While drilling activities will tend to increase in volume during the current year, they have not been abandoned by the progress made in 1929 but are in line with the original policy of the Company thoroughly to explore the Turner Valley field. In spite of the fact that many disappointments were encountered, the production of both crude oil and crude naphtha was approximately doubled.

According to the Dominion Bureau of Statistics the petroleum production of the Province of Alberta for the year 1928 was 902,000 barrels as compared with 489,947 barrels for 1927. This substantial increase in production came principally from the Turner Valley field and to it the properties operated by Imperial Oil contributed largely. In 1929 properties operated by this Company, which include three of its subsidiaries, and of those companies with which it has drilling agreements, produced 1,092,002 barrels of crude oil and 235,642 barrels of crude naphtha and last year, 1,031,311 barrels of crude oil (including 462,000 barrels of asphalt and 50,300 barrels of crude naphtha). This contribution represented approximately 77.6% of the total production of Alberta for the year 1929.

The Company’s gas business in Alberta likewise showed a substantial increase, amounting to 5,739,357,609 cubic feet as compared with 2,329,658,000 cubic feet in 1929. Sales to the Corporation marketing gas in Calgary and other towns in Alberta increased from 4,083,121,000 cubic feet in 1928 to 5,371,276,000 cubic feet in 1929 and similar increases were made in the gas consumed in the field and that sold to the Imperial Oil Instructors, Limited, at Calgary.
The Company completed seven producing wells in Turner Valley at an average depth of 2,415 feet and in addition deepened five wells to an average depth of 4,515 feet. The deepest well drilled was 5,037 feet and the shallowest 3,047 feet. The total footage drilled by the Company during 1929 amounted to 50,104 feet.

At the end of the year the Company controlled a total of twenty-five producing wells in the field and was engaged in drilling twenty others. Outside of Turner Valley the Company is drilling two exploratory wells, one west of the Valley and one in the Highwood District.

**SOUTH AMERICA:**

The Directors are particularly gratified to report that the spirit of goodwill and co-operation between our subsidiary the International Petroleum Company and the Republics of Colombia and Peru continues to exist and that the Company’s operations in these countries have maintained a very healthy growth. As a result the combined production of crude oil in Peru and Colombia has increased from 29,390,357 barrels in 1928 to 31,656,602 barrels in 1929. During 1929 the average daily production from the two fields amounted to 86,430 barrels and at the close of the year the potential average daily production from the two fields amounted to 122,190 barrels in excess of the actual.

**Colombia:**

In Colombia 125 producing wells were completed on the De Marus concession; 69 on the Infantitas structure with an average initial production of 465 barrels and 40 on the La Cara structure with an average initial production of 1,009 barrels. The average daily production for 1929 was 55,468 barrels and the total amounted to 20,584,547 barrels. Of this total 11,000,467 barrels were exported and 1,467,576 barrels were processed in the refinery at Buenaventura to supply the Company demand for petroleum products. Of the remainder, 23,070 barrels were used as fuel on the Company’s and 90,310 barrels added to storage.

Notwithstanding the slackening in business activities in Colombia, during the latter part of the year, the volume of all products marketed here has shown a substantial increase in 1929. As the result of the expenditure in the refinery, the Company is now better equipped to transport and marketing facilities in the country during the past years, the Company is now better equipped to supply efficiently the country’s growing demand for petroleum products.

**Peru:**

In Peru the crude oil production increased from 5,001,729 barrels in 1928 to 10,532,116 barrels in 1929. Of the 1929 production 4,278,943 barrels were exported as crude and the remainder was required for the refinery at Talara to supply the refined products necessary to meet the demand on the West Coast of South America. The estimated gasoline production for 1929 amounted to 20,489,847 gallons, an increase of 2,180,839 gallons over that for 1928. A total of 556 barrels were drilled of which 177, or 32.67%, were productive. With the addition made during the year, the total number of productive wells at the close amounted to 1,706, of which 12 are located in the gas wells and 1,694 as oil wells.

The new productive area north of High Venus referred to in last year’s annual report, was further tested with very satisfactory results. So far, however, a very small amount of oil, only that which is necessary to test the wells as they are completed, has been taken from this area. It remains as a reserve for the future.

The producing operations in Peru and also in Colombia, are carried on in accordance with the latest and most scientific methods, and as a result it is expected that the recoverable oil in both the fields will be materially increased.

**COMPANY PERSONNEL:**

Imperial Oil Limited has carried on extensive construction operations throughout the country during the winter months, thus extending to the extent of its ability to meet the unemployment problem. There were approximately 10,000 wage earners in the employ of the Company at the end of the year and of this number 6,443 were stockholders. The number of employees stockholders was increased by 1,000 during the year.

It is a source of satisfaction to the directors on this the fiftieth anniversary of the granting of its charter that in all these years the Company has never experienced any serious labor disturbances nor has it ever been engaged in litigation of major importance. The relations between the administration of the Company and its employees continue to be of the happiest character.

By Order of the Board.

C. G. STILLMAN, President.