Working in all parts of Canada to serve the needs of Canadians now and to find and develop energy supplies for the future.
Financial and Operating Highlights

<table>
<thead>
<tr>
<th>Financial*</th>
<th>1975</th>
<th>1974</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>millions of dollars</td>
<td></td>
</tr>
<tr>
<td>Earnings</td>
<td>250</td>
<td>289</td>
</tr>
<tr>
<td>Dividends</td>
<td>104</td>
<td>104</td>
</tr>
<tr>
<td>Revenues</td>
<td>4,110</td>
<td>3,713</td>
</tr>
<tr>
<td>Capital and exploration</td>
<td>226</td>
<td>404</td>
</tr>
<tr>
<td>expenditures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes charged against income</td>
<td>457</td>
<td>376</td>
</tr>
<tr>
<td>Total taxes generated</td>
<td>951</td>
<td>945</td>
</tr>
<tr>
<td>Crown royalties</td>
<td>273</td>
<td>251</td>
</tr>
<tr>
<td></td>
<td>dollars</td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>1.92</td>
<td>2.22</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>0.80</td>
<td>0.80</td>
</tr>
<tr>
<td></td>
<td>percentages</td>
<td></td>
</tr>
<tr>
<td>Earnings as a percentage of</td>
<td>16.4</td>
<td>21.1</td>
</tr>
<tr>
<td>shareholders' equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>capital employed</td>
<td>12.0</td>
<td>15.6</td>
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</tbody>
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* 1974 restated for reassessment of income taxes

<table>
<thead>
<tr>
<th>Operating</th>
<th>1975</th>
<th>1974</th>
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<tbody>
<tr>
<td></td>
<td>thousands of barrels per day</td>
<td></td>
</tr>
<tr>
<td>Petroleum product sales</td>
<td>418</td>
<td>443</td>
</tr>
<tr>
<td>Crude oil processed at</td>
<td>395</td>
<td>438</td>
</tr>
<tr>
<td>refineries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil and natural-gas</td>
<td>265</td>
<td>337</td>
</tr>
<tr>
<td>liquids gross production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>net production</td>
<td>173</td>
<td>224</td>
</tr>
<tr>
<td>Natural-gas sales (millions</td>
<td>412</td>
<td>421</td>
</tr>
<tr>
<td>of cubic feet per day)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross proved reserves*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>crude oil and natural-gas</td>
<td>1,137</td>
<td>1,206</td>
</tr>
<tr>
<td>liquids (millions of barrels)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>western Canada natural gas</td>
<td>2,519</td>
<td>2,607</td>
</tr>
<tr>
<td>(billions of cubic feet)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Mackenzie Delta</td>
<td>3,100</td>
<td></td>
</tr>
<tr>
<td>natural-gas reserves (billions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of cubic feet)</td>
<td></td>
<td></td>
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* Does not include Beaufort Basin discoveries or Syncrude, Cold Lake, and other heavy oils.

Message from the President

Canadians enjoy one of the highest living standards in the world, but the economic system on which this standard depends is being eroded. If competitive enterprise is replaced by a massive system of government controls, business efficiency will be affected, and personal freedom and independence will also be reduced.

Yet, government clearly has a function to perform in the world of business. Among its roles are monitoring the market to ensure that competition exists and providing a framework that encourages business to get on with its job. Part of the framework is a stable environment in which the competitive market, based on the sovereignty of the consumer, can work effectively.

Stability is especially necessary in the energy sector if the billions of dollars needed to find and develop new Canadian energy supplies are to be invested. These funds can come only from investors willing to accept the risks and the inevitable waiting period of many years before petroleum investments pay off. A perception of stability gives investors confidence that the rules won’t change to penalize them after their investments have been made.

Most Canadians agree that the development of energy resources is of primary importance, not only for the economic benefits it will bring in its wake, but for the security that domestic supply can provide. Energy development can take place most effectively within a framework of stable rules that recognize long-term national energy goals and thus encourage and enable industry to get on with this vital job.

J. A. Armstrong

President and Chief Executive Officer and Chairman of the Board
External Factors Affecting Operations

Many factors beyond the company’s control affected Imperial’s operations and financial position in 1975 as well as its earnings.

Government Actions

Significant among government actions in 1975 was the July increase in the price of crude oil from $6.50 to $8 per barrel—an increase of $1.50. At the same time, the province of Alberta, where most of Imperial’s crude oil is produced, reduced its royalty on this price increase by 15 percent. As a result of these actions, the company’s income from Alberta crude oil during the remainder of 1975 increased by 22 cents per barrel.

Saskatchewan also adjusted its royalty schedule on crude oil effective July 1, 1975, to maintain the producer’s income at the level prevailing before the July increase. In November, the federal government announced additional incentives to increase exploration for petroleum in the province by introducing a rebate on royalties and allowing it to be expensed for exploration and development.

The oil market has been subject to continuing federal-government guidance on prices of crude oil and petroleum products since September, 1975. In addition, provincial governments have also introduced controls on product prices since December, 1975. The federal government permitted increases in product prices in February, 1975, that would be justified by increases in costs other than crude oil costs. Despite this, cost-based justified price increases were withheld until April 1, 1975, by the government of British Columbia and then only partially allowed. Both provincial governments maintained controls on petroleum product prices throughout the year in line with or below federal petroleum product prices and the extent of the government’s controls remained unchanged.

On July 1, 1975, when the price of crude oil was raised, the federal government directed the oil companies to refrain from raising product prices for 45 days. Subsequently, some provinces followed the federal price freeze. These extensions beyond the federal guidelines reduced the company’s earnings by approximately $10 million.

The implementation of the freeze on petroleum-product prices in July, the government of Ontario appointed a royal commission to inquire into the relationship between changes in the price of petroleum products and the interests of the consuming public, and to consider procedures that might be required to control future price changes in the price of crude oil. Imperial was an active participant in the hearings. It submitted briefs explaining the company’s structure and operations, as well as the challenges facing the industry. Imperial argued that increases in product prices should be made to cover crude-oil price increases as quickly as the market will permit, and explained that delays in price increases affect the company’s ability to carry out its planned investments.

The commission’s first report, published in September, 1975, observed that prices available to Ontario had been relatively stable, and the changes that took place in the prior months did merit public concern. In addition, it recognized that product-price increases related to increased crude oil costs should be reflected in the price of higher-priced crude oil. The commission’s supplementary report in January, 1976, recommended that changes in product prices should follow increases in crude oil prices or “variable inventories.” Inventories in excess of the minimum needed to keep the system operating without interruptions were not to be included. The report concludes that this would have taken between 30 and 40 days and in the case of inventories on hand in July, 1975. The report also recommends that government should report price agreements with respect to any future freeze on prices.

In 1975, the federal government began to phase out exports of crude oil. For the first half of the year, exports of 800,000 barrels per day were increased, a reduction of 12 percent from the 1974 figure. However, actual exports averaged only 600,000 barrels per day during this period because the government-established price plan did not include the price of Canadian crude oil in the U.S. market.

The expenditures of the petroleum industry are expected to be $80 billion between now and 1985, and higher earnings are essential to meet these needs. The government is now turning its attention to the downstream operations of refining, transporting, and marketing of petroleum products, and chemicals. However, the company continues to produce a significant part of its earnings in new energy resources.

The Impact of Inflation

The financial impact of high inflation is not always understood. As an example, between 1973 and early 1975, the company built a plant at Cold Lake at a cost of $15 million. At 1975 dollar values, the same plant would cost approximately $20 million. This indicates the significant decrease in the purchasing power of the dollar, a decrease that is evident in all areas of the economy.

Conventional financial statements do not reflect changes in assets or liabilities due to changes in purchasing power. The only way to determine the impact would be through the use of after-tax earnings, a comparison of original cost basis, which is less than replacement cost today.

This distortion in financial statements is a result of high inflation. Other companies have many years even after costs and prices have stabilized, and shareholders should be aware of this when making any-year by-year comparisons.

In November, the British Columbia government revised the prices paid for natural gas in British Columbia as a result of the final report of the Toronto city gas. This is an increase of 44 cents per thousand cubic feet from the price at Jan. 1, 1975. In November, the British Columbia government revised the prices paid for natural gas by the British Columbia Telephone Corporation for all gas produced in the province.

Earnings for 1974, also restated in 1975 dollars, would be $237.5 million. Depreciation in 1975 would be $157.5 million, not $50 million, and the return on capital employed would be six percent in 1975, rather than twelve percent.

The Federal Anti-Inflation Program

Imperial is cooperating with the federal government’s anti-inflation program. In October, 1975, the company established a committee to handle the guidelines and to monitor the program. The committee was set up to ensure proper implementation of the program and to monitor the progress of the company’s anti-inflation efforts. The committee also discusses any potential problems or challenges the company may face as it implements the guidelines. The company continues to monitor the program’s progress and make necessary adjustments to ensure compliance with the guidelines. The committee is instrumental in ensuring that the company complies with the guidelines and monitors the program’s effectiveness in achieving its objectives. The committee plays a vital role in ensuring the success of the program and in maintaining a strong anti-inflation posture.
The installation of additional facilities at the gas-processing complex at Jade Creek, Alta., was completed in 1973, bringing capacity to 250 million cubic feet per day.

Preparations to drill Netserik F-40 from an artificial island 14 miles north of the July 1974, Aedge F-28 discovery in the Beaufort Sea.

A floating pipeline to carry developed gas for offshore drilling islands being test-assembled at Valdez.

Prepared to drill Netserik F-40 from an artificial island 14 miles north of the 1974, Aedge F-28 discovery in the Disko Bay.

Preparing to drill Netserik F-40 from an artificial island 14 miles north of the 1974, Aedge F-28 discovery in the Beaufort Sea.

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Operations Review

At Cold Lake, Alta., the crew changes pipe while drilling a well into the heavy oil deposit there.

The Syncrude Canada Ltd. plant to extract oil from the Alberta oil sands was 77 percent complete in 1975.

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Operations Review

company operations. The overall project provides a complete fuel-up-to-date refinery coupled with an excellent supply system for the Prairie region and eastern British Columbia. The capital cost was $280 million.

At the Montreal East refinery, a turn-over, $83 million program mainly to improve efficiency was substantially completed in 1975 and will be finished in 1976. Operating systems have been improved, including installation of the first control computers in the French language in North America. Investments were also made at Montreal and Dartmouth refineries to permit processing of a wider range of crude oils.

Marketing

The efficiency of Imperial’s marketing operations was also improved in 1975.

Esso Chemical Canada Division

Revenues from the sales of fertilizers, petrochemicals, and fabricated products were $737 million in 1975, almost the same as the record set in 1974. Earnings from Esso Chemical Canada were at a satisfactory level in 1975, although they were lower than the 1974 level because of higher production costs. While total volume of materials sold in 1975 were below those of 1974, demand began to recover toward year-end with the strengthening of the economy.

Petrochemicals

At Sarnia, production of ethylene and other petrochemical primary materials was at capacity during the last half of the year, although some production was curtailed in the first half. While demand for petroleum products and other products fell, the price of petroleum products rose in the second half of the year, as prices recovered from the low levels of the first half.

Plastic Products

Sales of polypropylene rope and ties in 1975 were higher than 1974 although the margins and profitability of the company’s operations were down.

Fertilizers

Sales of fertilizers to Esso Chemical’s customers in western Canada and in the U.S. were $161 million in 1975, about $100 million below the level achieved in 1974. Fertilizers in domestic and U.S. sales were particularly affected by increased fertilizer exports.

Building Materials

The share of sales in the first half of the year resulting in reduced demand for building materials was affected by the introduction of single-family dwellings during the second half of the year. The increase in construction of single-family dwellings during the second half of the year caused a marked improvement in demand for these materials.

Other Activities and Projects:

Environmental Protection

As part of Imperial’s continuing program to protect the environment, a new program was launched in 1975 to reduce the amount of effluent waste from the company’s Canadian operations. The program was implemented in all of Imperial’s Canadian refineries and petrochemical plants.

Research

Imperial Oil maintained the largest research effort of any petroleum company in Canada. The research covers all phases of the company’s operations and is carried out by 395 people, of whom 135 are...
Operations Review

At the Calgary laboratory, geological samples are studied to determine the concentration of minerals in them.

Research Council and consultants.

Imperial spent almost $500,000 studying the Arctic environment in 1975. The company continued to study the effects of oil production on the Beaufort Sea. For the third consecutive year, Imperial financed studies of the beluga whale so that the company can relate its operations to the life and migration patterns of this important species.

New lubricating oils based on Canadian crudes are being tested for railroad diesel engines. Tests have involved 39 mainline locomotives in heavy-duty freight service, and will continue until more than seven million miles of operating experience has been accumulated.

A program to assess the durability of existing and potential lubricating oils for diesel truck engines is also underway. If oil drain intervals can be greatly extended, truck fleets can be operated more economically and oil resources conserved. The program involves more than 65 heavy trucks in highway service and will span at least 12 million miles of driving.

Research is also carried out by Exxon Corporation in certain areas of technology that are of interest to both Imperial and Exxon. The laboratory at Saskatoon, for example, has responsibility for the world-wide research on lubricating oil processes and on polyvinyl chloride plastics for the insulation of large-scale mining and milling projects. In other parts of Canada, the company's minerals exploration program has discovered promising leads in deposits of uranium, base metals, and precious metals. Additional exploration work will be carried out to determine the commercial feasibility of these prospects.

Property Development

During the year, the company's wholly-owned subsidiary, Devon Estates Limited, was active in the management of Imperial's real estate holdings. Of specific interest, the company continued to develop 252 acres of land adjacent to the former Calgary refinery property for residential use.

Energy Conservation

Fuel costs are an important part of the overall expense of operations and, as part of its continuing program to improve operational efficiency, Imperial has consistently sought ways to minimize its energy consumption. With increased oil and natural gas prices and with the current supply/demand outlook for petroleum, conservation of energy has become very important, not only in its own right, but also in an economic measure. Throughout all its operations during 1975, the company emphasized the conservation of energy, and significant savings were achieved. For example, since the introduction of an energy conservation program at the Sarnia refinery in 1974, the energy requirement there has been reduced. In 1975, the energy saved was the equivalent of 1,500 barrels of oil per day.

Many of the fuel used in producing operations is electrical energy, and represents about 10 percent of direct operating costs. New conservation practices and efficiency programs have reduced electrical energy use by approximately 15 percent, and are providing important ongoing savings.

Total investment to pursue these energy conservation and other efficiency programs into effect was about $10 million in 1975.

Employee Relations

The success of Imperial's operations in 1975 is due in great part to the hard work and dedication of employees at all levels. In a period when strikes were having a severe effect on many people, it is particularly gratifying to report that no operations or employees suffered from the distractions of strikes within the company during 1975. Part of the credit for this achievement is due to the joint councils through which representatives of employees and the company have been able to resolve potential conflicts. This system has been functioning at principal operating locations for more than a half-century; the first meeting took place in Sarnia on Dec. 10, 1918.

During 1975, 15 percent of Imperial's workforce chose to alter their working hours with the introduction of various shift schedules, altered work weeks, and flexible working hours. In almost all cases, these changes were made in response to requests by employees, and all have increased the efficiency of company operations.

The service life of lubricating oils used in diesel trucks is being studied to increase operating efficiency and conserve oil.

At the beginning of the year, Imperial increased the benefits package under the company's retirement plan and its own disability benefits plan, relating them more closely to an employee's earnings. In addition, the company continued its practice of adjusting payments to those receiving pensions, extended disability benefits, and widow's benefits in changes in the cost of living at more than 5,000 people benefited from these adjustments in 1975.

Among other programs are awards that provide benefits for up to four years for the higher education of qualifying children of employees and employees. In 1977, more than 1,000 young people received these awards, which totalled $61,200. The company follows a policy of encouraging employees to progress in their careers with Imperial, and during 1975 more than half of the company's employees received training at company expense to upgrade their skills and increase their productivity. In addition, the company has a plan that pays for 50 percent of the cost of approved training courses that assist employees in their personal as well as professional development. In 1975, approximately 900 employees took advantage of this plan, and received a total of $35,000.

At the Calgary laboratory, geological samples are studied to determine the concentration of minerals in them.

Revised plans were issued to ensure the development of a full-scale mining and milling project.

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Energy Conservation

Fuel costs are an important part of the overall expense of operations and, as part of its continuing program to improve operational efficiency, Imperial has consistently sought ways to minimize its energy consumption. With increased oil and natural gas prices and with the current supply/demand outlook for petroleum, conservation of energy has become very important, not only in its own right, but also in an economic measure. Throughout all its operations during 1975, the company emphasized the conservation of energy, and significant savings were achieved. For example, since the introduction of an energy conservation program at the Sarnia refinery in 1974, the energy requirement there has been reduced. In 1975, the energy saved was the equivalent of 1,500 barrels of oil per day.

Many of the fuel used in producing operations is electrical energy, and represents about 10 percent of direct operating costs. New conservation practices and efficiency programs have reduced electrical energy use by approximately 15 percent, and are providing important ongoing savings.

Total investment to pursue these energy conservation and other efficiency programs into effect was about $10 million in 1975.

Employee Relations

The success of Imperial's operations in 1975 is due in great part to the hard work and dedication of employees at all levels. In a period when strikes were having a severe effect on many people, it is particularly gratifying to report that no operations or employees suffered from the distractions of strikes within the company during 1975. Part of the credit for this achievement is due to the joint councils through which representatives of employees and the company have been able to resolve potential conflicts. This system has been functioning at principal operating locations for more than a half-century; the first meeting took place in Sarnia on Dec. 10, 1918.

During 1975, 15 percent of Imperial's workforce chose to alter their working hours with the introduction of various shift schedules, altered work weeks, and flexible working hours. In almost all cases, these changes were made in response to requests by employees, and all have increased the efficiency of company operations.

At the beginning of the year, Imperial increased the benefits package under the company's retirement plan and its own disability benefits plan, relating them more closely to an employee's earnings. In addition, the company continued its practice of adjusting payments to those receiving pensions, extended disability benefits, and widow's benefits in changes in the cost of living at more than 5,000 people benefited from these adjustments in 1975.

Among other programs are awards that provide benefits for up to four years for the higher education of qualifying children of employees and employees. In 1977, more than 1,000 young people received these awards, which totalled $61,200. The company follows a policy of encouraging employees to progress in their careers with Imperial, and during 1975 more than half of the company's employees received training at company expense to upgrade their skills and increase their productivity. In addition, the company has a plan that pays for 50 percent of the cost of approved training courses that assist employees in their personal as well as professional development. In 1975, approximately 900 employees took advantage of this plan, and received a total of $35,000.
Imperial Oil Limited

Consolidated Financial Statements
TOGETHER WITH 10-YEAR FINANCIAL
AND OPERATING SUMMARY

Subsidiary Companies
W. H. Adam, Ltd.
Albury Company Limited
Alfred Heat and Fuel Limited
Archibald Fuchs Limited
Atlas Supply Company of Canada Limited
Bouquebrothers Limited
Building Products of Canada Limited
Centre Crédit Limité Citadell Centres Limited
Champion Oil Products Limited
Producis Pétroliers Champion Limitée
Delta Rope & Twine Limited
Devon Estates Limited
E.S.P. Limited
East of Canada Limited
Donat Grandmaitre Limited
Hall Fuel (1960) Limited
Hi-Way Petroleum Ltd.
Home Oil Distributors Limited
Imperial Oil Developments Limited
Imperial Oil Enterprises Limited
Imperial Oil of Canada Shipping Company Limited
The Imperial Pipe Line Company, Limited
Jaco Toronto Limited
Loco Service (Santo) Limited
Maple Leaf Petroleum Limited
Midwest Fibreboard Ltd.
Menghaj & Robert Co. Ltd.
James Murphy Fuel Oil Company Limited
Nelson Products Pipe Line Company Limited
Northwest Company, Limited
J. P. Papineau Ltee/Ltd.
Pett-Twinco Corp., Ltd.
Polyville Limited
Renown Building Materials Limited
Les Restaurants Le Voyaguer Inc.
Robbins Floor Products of Canada Ltd.
Sawway Builders Limited
Servair Ltd.
Saskatoon Pipe Line Company
Transco Company, Limited
Western Oil & Trading Company Limited
Winning Pipe Line Company Limited

Principal Investments and Percentage Interest
Interprovincial Pipe Line Limited 32.8%
Montreal Pipe Line Company Limited 32%
Rainbow Pipe Line Company, Ltd. 33.5%
Toowoomba Gas Storage Limited 50%
Trans Mountain Pipe Line Company Ltd. 8.6%

Auditors' Report
To the shareholders of Imperial Oil Limited
We have examined the Consolidated Statements of Earnings and Changes in Financial Position of Imperial Oil Limited and its subsidiary companies for the year ended December 31, 1975 and the Consolidated Balance Sheet as at that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the results of operations and changes in financial position of the companies for the year ended December 31, 1975 and their financial position as at that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,
Chartered Accountants,
Toronto-Dominion Centre, Toronto, Ontario.
March 4, 1976.

Summary of Accounting Policies
Principles of Consolidation
The consolidated financial statements include the accounts of Imperial Oil Limited and its subsidiary companies, all of which are wholly owned.

The principal investments in other companies are accounted for on the equity basis, and Imperial's share of their earnings before income taxes is shown as "Equity in earnings of principal investments" in the Consolidated Statement of Earnings. The income taxes related to those earnings are included in "Income taxes" in the same statement. These investments are carried in the Consolidated Balance Sheet at Imperial's share of the book value of their underlying net assets. Other investments are carried at cost and income from them is recorded only as dividends are declared.

A list of all subsidiary companies and the principal investments in other companies is shown on page 14 of this report.

Depreciation and Amortization
Depreciation of plant and equipment is based on the estimated service life of the asset, calculated on the straight-line method. Amortization of developing wells costs and of capitalized producing-base costs is determined on the unit-of-production method.

Exploration
Exploration expenditures, including costs of acquisition and retention of exploration acreage, geological and geophysical surveys, and uncompensated drilling are charged against earnings as incurred, except to the extent that they relate to the acquisition of acreage expected to be productive, based on the company's past experience.

Inventories
Inventories are recorded at cost under the first-in, first-out method, which is less than its net realizable value.

Income Taxes
Income taxes on locally-permitted earnings of the company and its subsidiaries are recorded for the year in which they are earned.

Taxes other than Income Taxes
Taxes levied on the companies are included in "Taxes other than income taxes" in the Consolidated Statement of Earnings.

Employee Retirement Plans
The companies have a number of retirement plans covering substantially all employees. Costs of these plans are charged to earnings and funded on the basis of actuarial valuations made at least every third year. Increases in the actuarial present value of projected benefits actually earned by employees to the present are amortized over 15 years. The effect of inflationary forces, which cause salary levels to rise at a rate faster than that used in the actuarial valuations, is provided for currently. Increases or decreases resulting from other factors in the actuarial valuations are amortized over five years.

The companies' policies with respect to funding adher to government regulations and in certain cases the companies fund in a shorter time than the law requires.

Federal Impact Compensation
Amounts received or claimed under the federal compensation program for oil imports are deducted from the cost of crude oil and product purchases. The company has maintained its selling prices in accordance with federal-government guidelines in order to be eligible for this compensation.
Imperial Oil Limited

Consolidated Statement of Earnings for the Years 1975 and 1974

<table>
<thead>
<tr>
<th>Revenues</th>
<th>1975</th>
<th>1974</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum products</td>
<td>2,073</td>
<td>1,789</td>
</tr>
<tr>
<td>Crude oil and natural gas (excluding sale of purchased crude)</td>
<td>1,542</td>
<td>1,424</td>
</tr>
<tr>
<td>Chemicals and building materials</td>
<td>329</td>
<td>318</td>
</tr>
<tr>
<td>Other products</td>
<td>72</td>
<td>74</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>46</td>
<td>38</td>
</tr>
<tr>
<td>Equity in earnings of principal investments</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Investment and other income</td>
<td>39</td>
<td>32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,119</td>
<td>3,713</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude-oil and product purchases</td>
<td>2,526</td>
<td>2,244</td>
</tr>
<tr>
<td>Operating and exploration</td>
<td>385</td>
<td>363</td>
</tr>
<tr>
<td>Selling and administration</td>
<td>372</td>
<td>343</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>99</td>
<td>80</td>
</tr>
<tr>
<td>Income taxes (Note 1)</td>
<td>340</td>
<td>270</td>
</tr>
<tr>
<td>Taxes other than income taxes</td>
<td>217</td>
<td>169</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>30</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,860</td>
<td>3,424</td>
</tr>
</tbody>
</table>

**Earnings for the year**

| Per share                                    | 2.59   | 2.89   |

Consolidated Statement of Changes in Financial Position for the Years 1975 and 1974

<table>
<thead>
<tr>
<th>Funds were provided from:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations (Note 2)</td>
<td>414</td>
<td>445</td>
</tr>
<tr>
<td>Debentures issued and other long-term debt</td>
<td>105</td>
<td>109</td>
</tr>
<tr>
<td>Capital stock issued</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>Sales of property, plant, and equipment</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Other -- net</td>
<td>540</td>
<td>572</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funds were used for:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures for property, plant, and equipment</td>
<td>276</td>
<td>340</td>
</tr>
<tr>
<td>Dividends</td>
<td>104</td>
<td>104</td>
</tr>
<tr>
<td>Reduction of long-term debt</td>
<td>25</td>
<td>68</td>
</tr>
<tr>
<td><strong>Increase in working capital</strong></td>
<td>332</td>
<td>312</td>
</tr>
</tbody>
</table>

The Summary of Accounting Policies and Notes to the Financial Statements are part of these statements.

Consolidated Balance Sheet as at December 31, 1975 and 1974

<table>
<thead>
<tr>
<th>Assets</th>
<th>1975</th>
<th>1974</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, including time deposits</td>
<td>55</td>
<td>107</td>
</tr>
<tr>
<td>Marketable securities, at the lower of cost and market</td>
<td>81</td>
<td>42</td>
</tr>
<tr>
<td>Accounts receivable (Note 3)</td>
<td>633</td>
<td>549</td>
</tr>
<tr>
<td>Inventories</td>
<td>366</td>
<td>338</td>
</tr>
<tr>
<td>Crude oil and products</td>
<td>45</td>
<td>47</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>1,167</td>
<td>1,085</td>
</tr>
<tr>
<td>Investments (Note 4)</td>
<td>87</td>
<td>85</td>
</tr>
<tr>
<td>Long-term accounts receivable and other assets (Note 5)</td>
<td>59</td>
<td>56</td>
</tr>
<tr>
<td>Property, plant, and equipment (Note 6)</td>
<td>1,060</td>
<td>1,475</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>2,950</td>
<td>2,701</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Deferred Credits</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term notes</td>
<td>45</td>
<td>51</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities (Note 3)</td>
<td>495</td>
<td>438</td>
</tr>
<tr>
<td>Income and other taxes payable</td>
<td>55</td>
<td>150</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>595</td>
<td>645</td>
</tr>
<tr>
<td>Long-term debt (Note 7)</td>
<td>342</td>
<td>265</td>
</tr>
<tr>
<td>Other long-term obligations</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>423</td>
<td>338</td>
</tr>
<tr>
<td><strong>Total liabilities and deferred credits</strong></td>
<td>1,372</td>
<td>1,269</td>
</tr>
</tbody>
</table>

Shareholders' Equity

| Capital stock (Note 8)                        | 288     | 288     |
| Earnings retained and used in the business    |         |         |
| At beginning of year, as previously reported  | 1,164   | 975     |
| Prior period adjustment (Note 9)             | (17)    | (16)    |
| As re-stated                                  | 1,144   | 959     |
| Earnings for the year                         | 290     | 289     |
| Dividends (per share: 1975 – 80c; 1974 – 80c) (Note 8) | (104)  | (104)   |
| At end of year                                | 1,290   | 1,144   |
| **Total shareholders' equity**               | 1,578   | 1,432   |
| **Total liabilities and shareholders' equity**| 2,568   | 2,701   |

The Summary of Accounting Policies and Notes to the Financial Statements are part of this statement.

Approved by the Board
### Notes to the Financial Statements

**Imperial Oil Limited**

**1. Income Taxes**

<table>
<thead>
<tr>
<th>1975</th>
<th>1974</th>
<th>millions of dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>141</td>
<td>169</td>
<td></td>
</tr>
</tbody>
</table>

**2. Funds Provided from Operations**

<table>
<thead>
<tr>
<th>1975</th>
<th>1974</th>
<th>millions of dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>258</td>
<td>289</td>
<td></td>
</tr>
</tbody>
</table>

**3. Amounts Owning to and from Affiliated Companies**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Owning to</td>
<td>$75 million</td>
<td>$2 million</td>
<td>$75 million</td>
<td>$2 million</td>
</tr>
<tr>
<td>Owning from</td>
<td>$51 million</td>
<td>$1 million</td>
<td>$51 million</td>
<td>$1 million</td>
</tr>
</tbody>
</table>

**4. Investments**

<table>
<thead>
<tr>
<th>1975</th>
<th>1974</th>
<th>millions of dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>86</td>
<td>65</td>
<td></td>
</tr>
</tbody>
</table>

**5. Long-Term Accounts Receivable and Other Assets**

<table>
<thead>
<tr>
<th>1975</th>
<th>1974</th>
<th>millions of dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>55</td>
<td>46</td>
<td></td>
</tr>
</tbody>
</table>

**8. Capital Stock**

<table>
<thead>
<tr>
<th>Class A</th>
<th>Class B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized</td>
<td>160,000,000</td>
</tr>
<tr>
<td>Issued</td>
<td>120,740,145</td>
</tr>
<tr>
<td>Par value</td>
<td>$7.50 per share</td>
</tr>
</tbody>
</table>

Each class of shares is voting, entitling one vote on each matter put to a vote of the shareholders. The shares are listed on the Toronto Stock Exchange. The dividend rates are based on the company's earnings for the year. The dividends are paid semi-annually in the amount of $0.80 per share.

**9. Prior-Paid Adjustment**

During 1975, the company received payments of its prior-paid income taxes. The payments satisfied certain purchase costs from two foreign subsidiaries. The net effect of this adjustment, including the effect of the revaluation of certain assets, was a reduction in income taxes payable of $12,750,000. The effect of the revaluation of certain assets was $12,750,000.

**10. Repayment of Debt**

In 1975, the company repaid $5,000,000 of its long-term debt. The repayment was made in accordance with the terms of the loan agreement.

**11. Long-Term Incentive Compensation**

In 1975, the company implemented a new long-term incentive compensation plan. The plan is designed to reward employees for their contributions to the company's success.

**12. Employee Retirement Plans**

The estimated market value of the pension fund assets on Dec. 31, 1975, was $85,000,000, which constitutes the major portion of the net assets of the fund. The fund is managed by a professional investment company, and the assets are invested in a diversified portfolio of stocks and bonds.

**13. Synergies**

Through the acquisition of a subsidiary in 1975, the company has expanded its operations in the mid-continent area. The acquisition has contributed to the company's overall performance.

**14. Contingencies and Commitments**

The company has entered into contracts for the purchase of certain raw materials, and the company's subsidiaries have entered into agreements for the purchase of certain equipment. The company is committed to purchase certain raw materials and equipment over the next three years.

---

*Under agreements to supply Arctic gas to two U.S. gas pipeline companies have made agreements to allocate up to U.S. $1.8 billion of interest-free loans for construction and equipment costs. The agreements are for the purchase of certain equipment and materials. The U.S. $1.8 billion loan outstanding at Dec. 31, 1975, was repaid in 1976.*
### Ten-Year Financial and Operating Summary

**Imperial Oil Limited**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Revenues (in millions except per share and per-employee amounts)</th>
<th>Earnings</th>
<th>Taxes and Royalties</th>
<th>Financial Position at Year-End</th>
<th>Exploration and Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>$2,070</td>
<td>$1,482</td>
<td>$320</td>
<td>$572</td>
<td>$430</td>
</tr>
<tr>
<td>1974</td>
<td>1,789</td>
<td>1,242</td>
<td>318</td>
<td>76</td>
<td>38</td>
</tr>
<tr>
<td>1973</td>
<td>1,316</td>
<td>946</td>
<td>198</td>
<td>74</td>
<td>46</td>
</tr>
<tr>
<td>1972</td>
<td>1,064</td>
<td>690</td>
<td>155</td>
<td>79</td>
<td>22</td>
</tr>
<tr>
<td>1971</td>
<td>1,022</td>
<td>650</td>
<td>145</td>
<td>65</td>
<td>35</td>
</tr>
<tr>
<td>1970</td>
<td>924</td>
<td>534</td>
<td>131</td>
<td>63</td>
<td>26</td>
</tr>
<tr>
<td>1969</td>
<td>877</td>
<td>437</td>
<td>125</td>
<td>59</td>
<td>15</td>
</tr>
<tr>
<td>1968</td>
<td>857</td>
<td>389</td>
<td>115</td>
<td>56</td>
<td>15</td>
</tr>
<tr>
<td>1967</td>
<td>817</td>
<td>327</td>
<td>107</td>
<td>46</td>
<td>8</td>
</tr>
<tr>
<td>1966</td>
<td>784</td>
<td>257</td>
<td>96</td>
<td>39</td>
<td>7</td>
</tr>
</tbody>
</table>

**Glossary of Terms**

- Fellows and Associates: Fellows and Associates are members of the firm who have been admitted to the firm.
- Initial Public Offering: Initial public offering refers to the first time a company sells shares to the public.
- Capital Exploration: Capital exploration refers to the search for new sources of minerals or resources.

**Dividends**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>42.50</td>
</tr>
<tr>
<td>1977</td>
<td>45.00</td>
</tr>
<tr>
<td>1976</td>
<td>47.50</td>
</tr>
</tbody>
</table>

**Working Capital from Operations**

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Exploration Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>536,000</td>
</tr>
<tr>
<td>1977</td>
<td>516,000</td>
</tr>
<tr>
<td>1976</td>
<td>496,000</td>
</tr>
</tbody>
</table>

**Taxes and Royalties**

<table>
<thead>
<tr>
<th>Year</th>
<th>Income Before Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>$2,400</td>
</tr>
<tr>
<td>1974</td>
<td>2,180</td>
</tr>
<tr>
<td>1973</td>
<td>1,780</td>
</tr>
<tr>
<td>1972</td>
<td>1,430</td>
</tr>
<tr>
<td>1971</td>
<td>1,190</td>
</tr>
<tr>
<td>1970</td>
<td>924</td>
</tr>
<tr>
<td>1969</td>
<td>877</td>
</tr>
<tr>
<td>1968</td>
<td>857</td>
</tr>
<tr>
<td>1967</td>
<td>817</td>
</tr>
<tr>
<td>1966</td>
<td>784</td>
</tr>
</tbody>
</table>

**Exploration and Production**

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Crude Oil Reserves (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>61</td>
</tr>
<tr>
<td>1974</td>
<td>66</td>
</tr>
<tr>
<td>1973</td>
<td>82</td>
</tr>
<tr>
<td>1972</td>
<td>88</td>
</tr>
<tr>
<td>1971</td>
<td>97</td>
</tr>
<tr>
<td>1970</td>
<td>71</td>
</tr>
<tr>
<td>1969</td>
<td>65</td>
</tr>
<tr>
<td>1968</td>
<td>66</td>
</tr>
<tr>
<td>1967</td>
<td>65</td>
</tr>
<tr>
<td>1966</td>
<td>67</td>
</tr>
</tbody>
</table>

---

20 History redacted for a reason of increased taxes.
Financial and Operating Trends 1966-1975

Capital Expenditures
- Marketing, transportation, and other
- Chemicals and building materials
- Basic activities
- Exploration, production, and Synfuels

Earnings Compared with Taxes and Crown Royalties
- Federal taxes generated
- Earnings
- Crown royalties

Salaries, Wages, and Benefits Per Employee

Earnings as a Percentage of Shareholders' Equity

Earnings and Dividends Per Share
- Earnings
- Dividends

Petroleum Product Sales
- Other products
- Refinery sales
- Gasoline

Gross Production of Crude Oil and Natural Gas Liquids

Working Capital from Operations Compared with Dividends and Capital Expenditures
- Working capital from operations
- Capital expenditures
- Dividends

Natural Gas Sales
- Millions of cubic feet per day
Imperial Oil Limited was incorporated under the Canada Joint Stock Companies Act, 1877 on September 8, 1880. Its head office is at 111 St. Clair Avenue West, Toronto, Ontario M5W 1K3.

Directors
J. A. Armstrong
J. W. Flanagan
J. H. Hamlin
A. R. Haynes
J. G. Livingstone
D. D. Loughed
D. K. McIvor
W. J. Young
R. G. Reid
J. A. Cogan

Officers
President and Chief Executive Officer and Chairman of the Board
J. A. Armstrong

Executive Vice-Presidents
J. G. Livingstone
D. K. McIvor

Senior Vice-Presidents
J. W. Flanagan
J. H. Hamlin
A. R. Haynes
D. D. Loughed
W. J. Young
J. A. Cogan
J. G. Livingstone
D. K. McIvor

Vice-Presidents
J. F. Barrett
G. L. Haight
A. M. Lott
D. H. MacAllan
G. R. McLellan
A. G. Moreton
V. Siros
P. Staut
W. A. West
G. K. Whynot
D. D. Loughed

General Secretary
D. H. MacAllan

Comptroller
G. R. McLellan

Treasurer
A. M. Lott

General Counsel
J. F. Barrett, Q.C.

Transfer Offices
Imperial Oil Limited shares may be transferred at the following offices: head office of Imperial Oil Limited; principal offices of Montreal Trust Company at St. John's, Charlottetown, Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver, and Bankers Trust Company, New York.

Annual Meeting
The annual meeting of shareholders will be held at 11:00 a.m., Monday, April 26, 1976, in the Canadian Room, Royal York Hotel, Toronto.

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2 Financial and Operating Highlights
3 President's Message
4 External Factors Affecting Operations
6 Operations Review
14 Subsidiary Companies
14 Auditor's Report
15 Summary of Accounting Policies
16 Financial Statements
17 Balance Sheet
18 Notes to the Financial Statements
20 Ten-Year Summary
22 Financial and Operating Trends
24 Directors and Officers

KEY TO COVER PHOTOS: a) Strathcona refinery's main distillation tower splits crude into components for use and further refining. b) The Syncrude plant under construction at the Athabasca oil sands. c) Self-serve outlet at Vancouver. d) The Imperial Quebec weathers a gale while making deliveries to Atlantic coastal communities. e) Building a wintering harbor for island-construction vessels at Gary Island in the Beaufort Sea. f) Drilling the Ikattok prospect from an artificial island in the Beaufort Sea.

Les rapports annuels d'Imperial Oil Limited sont publiés en français et en anglais. Si vous préférez recevoir le rapport en français, veuillez écrire à la Division des relations avec les actionnaires, Imperial Oil Limited, C.P. 4029, Toronto (Ontario) M5W 1K3.
Options to Purchase Shares

This company has been granted a policy of option plan under which options for the purchase of a total of 12 shares of the company are outstanding. No shares have been purchased by the company or any of its officers.

Notice of Meeting

Pursuant to the memorandum and by-laws of this company, the annual general meeting of the company will be held on the 22nd day of January, 1976, at 11:00 a.m., at the offices of the company at 90 King Street West, Toronto, Ontario.

The meeting is for the purpose of:

A. Receiving and considering the report of the directors for the year ended December 31, 1975, and the audited financial statements for the year ended December 31, 1975, and the audited financial statements for the year ended December 31, 1974, and the audited financial statements for the year ended December 31, 1973, and the audited financial statements for the year ended December 31, 1972.

B. Approving the directors for the ensuing year.

C. Electing directors for the ensuing year.

D. Transacting such other business as may properly be brought before the meeting.

The annual report for 1975, information circular and proxy are all attached.

Shareholders who are unable to attend the meeting in person are requested to complete and return the enclosed proxy.

A simultaneous French translation of the proceedings will be available at the meeting.
Election of Directors (continued):

<table>
<thead>
<tr>
<th>Name</th>
<th>Present or previous occupation and employer with the company</th>
<th>Director since</th>
<th>Shares of Imperial (a) owned and March 5, 1976</th>
<th>Shares of Exxon Corporation (b) owned and March 5, 1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kris Adachi</td>
<td>President and Chief Executive Officer</td>
<td>February 1, 1981</td>
<td>19,400</td>
<td>13,563</td>
</tr>
<tr>
<td>Louis J. Eichhorn</td>
<td>President and Chief Executive Officer</td>
<td>April 1, 1969</td>
<td>6,547</td>
<td>10</td>
</tr>
<tr>
<td>Donald D. McNally</td>
<td>President and Chief Executive Officer</td>
<td>April 24, 1973</td>
<td>1,982</td>
<td>12</td>
</tr>
<tr>
<td>James E. Dugan</td>
<td>President and Chief Executive Officer</td>
<td>July 1, 1971</td>
<td>2,001</td>
<td>590</td>
</tr>
<tr>
<td>John A. Shively</td>
<td>Senior Vice President and Director</td>
<td>May 31, 1971</td>
<td>5,875</td>
<td>646</td>
</tr>
<tr>
<td>Lawrence R. Rowan</td>
<td>Senior Vice President and Director</td>
<td>April 22, 1973</td>
<td>918</td>
<td>18</td>
</tr>
<tr>
<td>W. Avis Davis</td>
<td>Senior Vice President and Director</td>
<td>July 27, 1975</td>
<td>4,040</td>
<td>5</td>
</tr>
<tr>
<td>William A. F. Jones</td>
<td>Senior Vice President and Director</td>
<td>August 1, 1975</td>
<td>1,200</td>
<td>5</td>
</tr>
</tbody>
</table>

Notes:
(1) In the event of a vacancy no person is disqualified from the office of director by reason of the expiration of the term of office of any director in such event, which director, if any, is elected by the board of directors to fill the vacancy at any regular or special meeting of the board of directors.
(2) Subject to the provisions of Section 4 of the Exxon Corporation (b) Act, 1955, as amended, a director may be removed with or without cause at any regular or special meeting of the shareholders of the corporation if the vote as to his removal is not in favor of the director by a majority of the votes cast at such meeting, but such removal shall not, unless otherwise provided in the certificate of incorporation of the corporation, affect the rights of such director as an authorized director.
(3) The shareholders of the corporation (b) are entitled to receive the following: (a) notice of the meetings of the shareholders, (b) a copy of the minutes of the meetings of the shareholders, (c) a copy of the financial statements of the corporation, and (d) a copy of the certificate of incorporation of the corporation.

Recommencement of Management and Others:

The aggregate cost to the company of all persons benefits prepared to be paid in the election of directors at the annual meeting of shareholders at the close of business on December 31, 1975, is $3,600,000.

The company contributed to the company’s savings plan for the benefit of the directors and officers of the company an aggregate amount of $3,600,000 in the year ended December 31, 1975. The company and contribution is at a rate of $4,000 for each dollar of income contribution, to a maximum aggregate amount of $3,600,000 for the year ended December 31, 1975. The company agreed to continue to contribute to the company’s savings plan for the benefit of directors and officers of the company an aggregate amount of $3,600,000 in the year ended December 31, 1976.