



Second Quarter 2022

**Financial statements and management's
discussion and analysis of financial condition
and operating results**

For the six months ended June 30, 2022

Consolidated statement of income (U.S. GAAP, unaudited)

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2022	2021	2022	2021
Revenues and other income				
Revenues (a)	17,285	8,007	29,942	14,999
Investment and other income (note 3)	22	40	51	46
Total revenues and other income	17,307	8,047	29,993	15,045
Expenses				
Exploration	1	2	3	4
Purchases of crude oil and products (b)	11,021	4,867	19,371	8,754
Production and manufacturing (c)	1,908	1,569	3,567	3,054
Selling and general (c)	191	200	416	389
Federal excise tax and fuel charge	553	465	1,032	869
Depreciation and depletion	451	450	877	944
Non-service pension and postretirement benefit	5	10	9	21
Financing (d) (note 5)	11	13	18	27
Total expenses	14,141	7,576	25,293	14,062
Income (loss) before income taxes	3,166	471	4,700	983
Income taxes	757	105	1,118	225
Net income (loss)	2,409	366	3,582	758
Per share information (Canadian dollars)				
Net income (loss) per common share - basic (note 9)	3.63	0.51	5.37	1.04
Net income (loss) per common share - diluted (note 9)	3.63	0.50	5.36	1.04
(a) Amounts from related parties included in revenues.	5,175	1,405	9,134	2,913
(b) Amounts to related parties included in purchases of crude oil and products.	1,129	666	1,779	1,181
(c) Amounts to related parties included in production and manufacturing, and selling and general expenses.	116	106	234	222
(d) Amounts to related parties included in financing (note 5).	13	10	17	21

The information in the notes to consolidated financial statements is an integral part of these statements.

IMPERIAL OIL LIMITED

Consolidated statement of comprehensive income (U.S. GAAP, unaudited)

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2022	2021	2022	2021
Net income (loss)	2,409	366	3,582	758
Other comprehensive income (loss), net of income taxes				
Postretirement benefits liability adjustment (excluding amortization)	-	-	24	54
Amortization of postretirement benefits liability adjustment included in net benefit costs	21	33	42	66
Total other comprehensive income (loss)	21	33	66	120
Comprehensive income (loss)	2,430	399	3,648	878

The information in the notes to consolidated financial statements is an integral part of these statements.

Consolidated balance sheet (U.S. GAAP, unaudited)

	As at June 30 2022	As at Dec 31 2021
millions of Canadian dollars		
Assets		
Current assets		
Cash	2,867	2,153
Accounts receivable - net (a)	6,839	3,869
Inventories of crude oil and products	1,394	1,102
Materials, supplies and prepaid expenses	789	689
Total current assets	11,889	7,813
Investments and long-term receivables (b)	754	757
Property, plant and equipment, less accumulated depreciation and depletion	57,222 (26,256)	56,762 (25,522)
Property, plant and equipment, net (note 11)	30,966	31,240
Goodwill	166	166
Other assets, including intangibles - net	1,117	806
Total assets	44,892	40,782
Liabilities		
Current liabilities		
Notes and loans payable	122	122
Accounts payable and accrued liabilities (a) (note 7)	7,947	5,184
Income taxes payable	2,018	248
Total current liabilities	10,087	5,554
Long-term debt (c) (note 6)	5,044	5,054
Other long-term obligations (note 7)	3,453	3,897
Deferred income tax liabilities	4,329	4,542
Total liabilities	22,913	19,047
Shareholders' equity		
Common shares at stated value (d) (note 9)	1,177	1,252
Earnings reinvested	21,913	21,660
Accumulated other comprehensive income (loss) (note 10)	(1,111)	(1,177)
Total shareholders' equity	21,979	21,735
Total liabilities and shareholders' equity	44,892	40,782

(a) Accounts receivable - net included net amounts receivable from related parties of \$1,888 million (2021 - \$1,031 million).

(b) Investments and long-term receivables included amounts from related parties of \$296 million (2021 - \$298 million).

(c) Long-term debt included amounts to related parties of \$4,447 million (2021 - \$4,447 million).

(d) Number of common shares authorized and outstanding were 1,100 million and 637 million, respectively (2021 - 1,100 million and 678 million, respectively).

The information in the notes to consolidated financial statements is an integral part of these statements.

Approved by the directors August 3, 2022

/s/ Bradley W. Corson

Chairman, president and
chief executive officer

/s/ Daniel E. Lyons

Senior vice-president,
finance and administration, and controller

Consolidated statement of shareholders' equity (U.S. GAAP, unaudited)

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2022	2021	2022	2021
Common shares at stated value (note 9)				
At beginning of period	1,237	1,357	1,252	1,357
Share purchases at stated value	(60)	(55)	(75)	(55)
At end of period	1,177	1,302	1,177	1,302
Earnings reinvested				
At beginning of period	22,171	22,281	21,660	22,050
Net income (loss) for the period	2,409	366	3,582	758
Share purchases in excess of stated value	(2,440)	(1,116)	(2,874)	(1,116)
Dividends declared	(227)	(195)	(455)	(356)
At end of period	21,913	21,336	21,913	21,336
Accumulated other comprehensive income (loss) (note 10)				
At beginning of period	(1,132)	(1,902)	(1,177)	(1,989)
Other comprehensive income (loss)	21	33	66	120
At end of period	(1,111)	(1,869)	(1,111)	(1,869)
Shareholders' equity at end of period	21,979	20,769	21,979	20,769

The information in the notes to consolidated financial statements is an integral part of these statements.

Consolidated statement of cash flows (U.S. GAAP, unaudited)

Inflow (outflow) millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2022	2021	2022	2021
Operating activities				
Net income (loss)	2,409	366	3,582	758
Adjustments for non-cash items:				
Depreciation and depletion	451	450	877	944
(Gain) loss on asset sales (note 3)	(4)	(24)	(24)	(27)
Deferred income taxes and other	(149)	76	(480)	136
Changes in operating assets and liabilities:				
Accounts receivable	(1,426)	(775)	(2,970)	(1,244)
Inventories, materials, supplies and prepaid expenses	(27)	58	(391)	(101)
Income taxes payable	853	21	1,312	42
Accounts payable and accrued liabilities	499	655	2,643	1,239
All other items - net (c)	76	25	47	150
Cash flows from (used in) operating activities	2,682	852	4,596	1,897
Investing activities				
Additions to property, plant and equipment	(333)	(241)	(637)	(408)
Proceeds from asset sales (note 3) (b)	102	35	126	42
Loans to equity companies - net	1	(1)	2	12
Cash flows from (used in) investing activities	(230)	(207)	(509)	(354)
Financing activities				
Short-term debt - net	-	-	-	(36)
Reduction in finance lease obligations (note 6)	(6)	(4)	(11)	(8)
Dividends paid	(228)	(161)	(413)	(323)
Common shares purchased (note 9)	(2,500)	(1,171)	(2,949)	(1,171)
Cash flows from (used in) financing activities	(2,734)	(1,336)	(3,373)	(1,538)
Increase (decrease) in cash	(282)	(691)	714	5
Cash at beginning of period	3,149	1,467	2,153	771
Cash at end of period (a)	2,867	776	2,867	776
(a) Cash is composed of cash in bank and cash equivalents at cost. Cash equivalents are all highly liquid securities with maturity of three months or less when purchased.				
(b) Included \$94 million deposit for the potential sale of XTO Energy Canada (note 11).				
(c) Included contributions to registered pension plans.	(46)	(42)	(96)	(70)
Income taxes (paid) refunded.	(52)	27	(275)	28
Interest (paid), net of capitalization.	(10)	(14)	(22)	(27)

The information in the notes to consolidated financial statements is an integral part of these statements.

Notes to consolidated financial statements (unaudited)

1. Basis of financial statement preparation

These unaudited consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (GAAP) and follow the same accounting policies and methods of computation as, and should be read in conjunction with, the most recent annual consolidated financial statements filed with the U.S. Securities and Exchange Commission (SEC) in the company's 2021 annual report on Form 10-K. In the opinion of the company, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature.

The company's exploration and production activities are accounted for under the "successful efforts" method.

The results for the six months ended June 30, 2022, are not necessarily indicative of the operations to be expected for the full year.

All amounts are in Canadian dollars unless otherwise indicated.

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2. Business segments

Second Quarter millions of Canadian dollars	Upstream		Downstream		Chemical	
	2022	2021	2022	2021	2022	2021
Revenues and other income						
Revenues (a) (b)	119	2,616	16,752	5,015	414	376
Intersegment sales	5,827	1,312	2,024	788	149	79
Investment and other income (note 3)	3	6	9	28	-	1
	5,949	3,934	18,785	5,831	563	456
Expenses						
Exploration	1	2	-	-	-	-
Purchases of crude oil and products	2,357	2,044	16,261	4,760	401	240
Production and manufacturing	1,423	1,166	418	357	67	46
Selling and general	-	-	153	142	22	22
Federal excise tax and fuel charge	-	-	553	465	-	-
Depreciation and depletion	395	399	45	39	4	5
Non-service pension and postretirement benefit	-	-	-	-	-	-
Financing (note 5)	1	-	-	-	-	-
Total expenses	4,177	3,611	17,430	5,763	494	313
Income (loss) before income taxes	1,772	323	1,355	68	69	143
Income tax expense (benefit)	426	76	322	8	16	34
Net income (loss)	1,346	247	1,033	60	53	109
Cash flows from (used in) operating activities	2,087	595	641	136	64	111
Capital and exploration expenditures (c)	233	130	69	120	2	2

Second Quarter millions of Canadian dollars	Corporate and other		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021
Revenues and other income						
Revenues (a) (b)	-	-	-	-	17,285	8,007
Intersegment sales	-	-	(8,000)	(2,179)	-	-
Investment and other income (note 3)	10	5	-	-	22	40
	10	5	(8,000)	(2,179)	17,307	8,047
Expenses						
Exploration	-	-	-	-	1	2
Purchases of crude oil and products	-	-	(7,998)	(2,177)	11,021	4,867
Production and manufacturing	-	-	-	-	1,908	1,569
Selling and general	18	38	(2)	(2)	191	200
Federal excise tax and fuel charge	-	-	-	-	553	465
Depreciation and depletion	7	7	-	-	451	450
Non-service pension and postretirement benefit	5	10	-	-	5	10
Financing (note 5)	10	13	-	-	11	13
Total expenses	40	68	(8,000)	(2,179)	14,141	7,576
Income (loss) before income taxes	(30)	(63)	-	-	3,166	471
Income tax expense (benefit)	(7)	(13)	-	-	757	105
Net income (loss)	(23)	(50)	-	-	2,409	366
Cash flows from (used in) operating activities	(110)	10	-	-	2,682	852
Capital and exploration expenditures (c)	10	7	-	-	314	259

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- (a) Included export sales to the United States of \$3,871 million (2021 - \$1,544 million).
- (b) Includes approximately 13% related to revenue outside the scope of ASC 606 "Revenue from Contracts with Customers" for the three months ended June 30, 2022. Trade receivables in Accounts receivable – net reported on the Balance Sheet include both receivables within the scope of ASC 606 and those outside the scope of ASC 606. Revenue and receivables outside the scope of ASC 606 primarily relate to physically settled commodity contracts accounted for as derivatives. Credit quality and type of customer are generally similar between those revenues and receivables within the scope of ASC 606 and those outside it.
- (c) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant and equipment, additions to finance leases, additional investments and acquisitions and the company's share of similar costs for equity companies. CAPEX excludes the purchase of carbon emission credits.

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Six Months to June 30 millions of Canadian dollars	Upstream		Downstream		Chemical	
	2022	2021	2022	2021	2022	2021
Revenues and other income						
Revenues (a) (b)	218	4,758	28,943	9,542	781	699
Intersegment sales	10,258	2,663	3,857	1,561	253	132
Investment and other income (note 3)	7	6	30	33	-	1
	10,483	7,427	32,830	11,136	1,034	832
Expenses						
Exploration	3	4	-	-	-	-
Purchases of crude oil and products	4,247	3,878	28,773	8,780	716	449
Production and manufacturing	2,672	2,275	774	683	121	96
Selling and general	-	-	300	275	45	47
Federal excise tax and fuel charge	-	-	1,032	869	-	-
Depreciation and depletion	768	844	86	78	9	9
Non-service pension and postretirement benefit	-	-	-	-	-	-
Financing (note 5)	1	1	-	-	-	-
Total expenses	7,691	7,002	30,965	10,685	891	601
Income (loss) before income taxes	2,792	425	1,865	451	143	231
Income tax expense (benefit)	664	99	443	99	34	55
Net income (loss)	2,128	326	1,422	352	109	176
Cash flows from (used in) operating activities	3,534	1,126	1,016	598	131	173
Capital and exploration expenditures (c)	455	215	137	188	3	4
Total assets as at June 30 (note 11)	28,961	31,931	11,649	5,352	505	481

Six Months to June 30 millions of Canadian dollars	Corporate and other		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021
Revenues and other income						
Revenues (a) (b)	-	-	-	-	29,942	14,999
Intersegment sales	-	-	(14,368)	(4,356)	-	-
Investment and other income (note 3)	14	6	-	-	51	46
	14	6	(14,368)	(4,356)	29,993	15,045
Expenses						
Exploration	-	-	-	-	3	4
Purchases of crude oil and products	-	-	(14,365)	(4,353)	19,371	8,754
Production and manufacturing	-	-	-	-	3,567	3,054
Selling and general	74	70	(3)	(3)	416	389
Federal excise tax and fuel charge	-	-	-	-	1,032	869
Depreciation and depletion	14	13	-	-	877	944
Non-service pension and postretirement benefit	9	21	-	-	9	21
Financing (note 5)	17	26	-	-	18	27
Total expenses	114	130	(14,368)	(4,356)	25,293	14,062
Income (loss) before income taxes	(100)	(124)	-	-	4,700	983
Income tax expense (benefit)	(23)	(28)	-	-	1,118	225
Net income (loss)	(77)	(96)	-	-	3,582	758
Cash flows from (used in) operating activities	(85)	-	-	-	4,596	1,897
Capital and exploration expenditures (c)	15	15	-	-	610	422
Total assets as at June 30 (note 11)	4,016	1,606	(239)	(431)	44,892	38,939

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- (a) Included export sales to the United States of \$6,375 million (2021 - \$3,113 million).
- (b) Includes approximately 11% related to revenue outside the scope of ASC 606 "Revenue from Contracts with Customers" for the six months ended June 30, 2022. Trade receivables in Accounts receivable – net reported on the Balance Sheet include both receivables within the scope of ASC 606 and those outside the scope of ASC 606. Revenue and receivables outside the scope of ASC 606 primarily relate to physically settled commodity contracts accounted for as derivatives. Credit quality and type of customer are generally similar between those revenues and receivables within the scope of ASC 606 and those outside it.
- (c) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant and equipment, additions to finance leases, additional investments and acquisitions and the company's share of similar costs for equity companies. CAPEX excludes the purchase of carbon emission credits.

3. Investment and other income

Investment and other income included gains and losses on asset sales as follows:

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2022	2021	2022	2021
Proceeds from asset sales	8	35	32	42
Book value of asset sales	4	11	8	15
Gain (loss) on asset sales, before tax	4	24	24	27
Gain (loss) on asset sales, after tax	3	22	19	24

4. Employee retirement benefits

The components of net benefit cost were as follows:

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2022	2021	2022	2021
Pension benefits:				
Service cost	70	81	140	162
Interest cost	74	68	147	136
Expected return on plan assets	(103)	(107)	(206)	(214)
Amortization of prior service cost	4	4	8	8
Amortization of actuarial loss (gain)	21	36	43	72
Net benefit cost	66	82	132	164
Other postretirement benefits:				
Service cost	5	7	11	14
Interest cost	6	5	12	11
Amortization of actuarial loss (gain)	3	4	5	8
Net benefit cost	14	16	28	33

5. Financing costs

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2022	2021	2022	2021
Debt-related interest	20	20	32	41
Capitalized interest	(10)	(7)	(15)	(15)
Net interest expense	10	13	17	26
Other interest	1	-	1	1
Total financing	11	13	18	27

In June 2022, the company reduced its existing \$500 million committed long-term line of credit to \$250 million and extended the maturity date to June 30, 2023. The company also extended one of its \$250 million committed long-term lines of credit to June 30, 2024. The company has not drawn on any of its outstanding \$750 million of available credit facilities.

6. Long-term debt

	As at June 30 2022	As at Dec 31 2021
millions of Canadian dollars		
Long-term debt	4,447	4,447
Finance leases	597	607
Total long-term debt	5,044	5,054

7. Other long-term obligations

	As at June 30 2022	As at Dec 31 2021
millions of Canadian dollars		
Employee retirement benefits (a)	1,323	1,362
Asset retirement obligations and other environmental liabilities (b)	1,733	1,713
Share-based incentive compensation liabilities	119	79
Operating lease liability (c)	122	147
Other obligations	156	596
Total other long-term obligations	3,453	3,897

(a) Total recorded employee retirement benefits obligations also included \$56 million in current liabilities (2021 - \$56 million).

(b) Total asset retirement obligations and other environmental liabilities also included \$102 million in current liabilities (2021 - \$102 million).

(c) Total operating lease liability also included \$86 million in current liabilities (2021 - \$102 million). In addition to the total operating lease liability, additional undiscounted commitments for leases not yet commenced totalled \$11 million (2021 - \$5 million).

8. Financial and derivative instruments

Financial instruments

The fair value of the company's financial instruments is determined by reference to various market data and other appropriate valuation techniques. There are no material differences between the fair value of the company's financial instruments and the recorded carrying value. At June 30, 2022 and December 31, 2021, the fair value of long-term debt (\$4,447 million, excluding finance lease obligations) was primarily a level 2 measurement.

Derivative instruments

The company's size, strong capital structure and the complementary nature of the Upstream, Downstream and Chemical businesses reduce the company's enterprise-wide risk from changes in commodity prices and currency exchange rates. In addition, the company uses commodity-based contracts, including derivative instruments to manage commodity price risk and to generate returns from trading. Commodity contracts held for trading purposes are presented in the Consolidated statement of income on a net basis in the line "Revenues". The company does not designate derivative instruments as a hedge for hedge accounting purposes.

Credit risk associated with the company's derivative position is mitigated by several factors, including the use of derivative clearing exchanges and the quality of and financial limits placed on derivative counterparties. The company maintains a system of controls that includes the authorization, reporting and monitoring of derivative activity.

The net notional long/(short) position of derivative instruments was:

	As at June 30 2022	As at Dec 31 2021
thousands of barrels		
Crude	8,680	7,390
Products	(930)	(560)

Realized and unrealized gain or (loss) on derivative instruments recognized in the Consolidated statement of income is included in the following lines on a before-tax basis:

	Second Quarter		Six Months to June 30	
millions of Canadian dollars	2022	2021	2022	2021
Revenues	(51)	(9)	(14)	(9)
Purchases of crude oil and products	-	(19)	-	(33)
Total	(51)	(28)	(14)	(42)

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The estimated fair value of derivative instruments, and the related hierarchy level for the fair value measurement is as follows:

At June 30, 2022

millions of Canadian dollars

	Fair value				Effect of counterparty netting	Effect of collateral netting	Net carrying value
	Level 1	Level 2	Level 3	Total			
Assets							
Derivative assets (a)	35	25	-	60	(44)	(3)	13
Liabilities							
Derivative liabilities (b)	32	47	-	79	(44)	-	35

(a) Included in the Consolidated balance sheet line: "Materials, supplies and prepaid expenses", "Accounts receivable - net" and "Other assets, including intangibles - net".

(b) Included in the Consolidated balance sheet line: "Accounts payable and accrued liabilities" and "Other long-term obligations".

At December 31, 2021

millions of Canadian dollars

	Fair value				Effect of counterparty netting	Effect of collateral netting	Net carrying value
	Level 1	Level 2	Level 3	Total			
Assets							
Derivative assets (a)	24	17	-	41	(31)	-	10
Liabilities							
Derivative liabilities (b)	31	12	-	43	(31)	(7)	5

(a) Included in the Consolidated balance sheet line: "Materials, supplies and prepaid expenses", "Accounts receivable - net" and "Other assets, including intangibles - net".

(b) Included in the Consolidated balance sheet line: "Accounts payable and accrued liabilities" and "Other long-term obligations".

At June 30, 2022 and December 31, 2021, the company had \$16 million and \$6 million, respectively, of collateral under a master netting arrangement not offset against the derivatives on the Consolidated balance sheet in "Accounts receivable - net", primarily related to initial margin requirements.

9. Common shares

thousands of shares	As of June 30 2022	As of Dec 31 2021
Authorized	1,100,000	1,100,000
Common shares outstanding	636,676	678,080

The 12-month normal course issuer bid program that was in place during the first quarter of 2022 came into effect June 29, 2021. The program enabled the company to purchase up to a maximum of 35,583,671 common shares (5 percent of the total shares on June 15, 2021), which included shares purchased under the normal course issuer bid and from Exxon Mobil Corporation concurrent with, but outside of the normal course issuer bid. As in the past, Exxon Mobil Corporation participated to maintain its ownership percentage at approximately 69.6 percent. The program completed on January 31, 2022 as a result of the company purchasing the maximum allowable number of shares under the program.

The current 12-month normal course issuer bid program came into effect June 29, 2022 under which Imperial will continue its existing share purchase program. The program enables the company to purchase up to a maximum of 31,833,809 common shares (5 percent of the total shares on June 15, 2022) which includes shares purchased under the normal course issuer bid and from Exxon Mobil Corporation concurrent with, but outside of the normal course issuer bid. As in the past, Exxon Mobil Corporation has advised the company that it intends to participate to maintain its ownership percentage at approximately 69.6 percent. Imperial plans to accelerate its share purchases under the normal course issuer bid program and anticipates repurchasing all remaining allowable shares by the end of October 2022. Purchase plans may be modified at any time without prior notice.

On May 6, 2022, the company commenced a substantial issuer bid pursuant to which it offered to purchase for cancellation up to \$2.5 billion of its common shares through a modified Dutch auction and proportionate tender offer. The substantial issuer bid was completed on June 15, 2022, with the company taking up and paying for 32,467,532 common shares at a price of \$77.00 per share, for an aggregate purchase of \$2.5 billion and 4.9 percent of Imperial's issued and outstanding shares as the close of business on May 2, 2022. This included 22,597,379 shares purchased from Exxon Mobil Corporation by way of a proportionate tender to maintain its ownership percentage at approximately 69.6 percent.

The excess of the purchase cost over the stated value of shares purchased has been recorded as a distribution of earnings reinvested.

The company's common share activities are summarized below:

	Thousands of shares	Millions of dollars
Balance as at December 31, 2020	734,077	1,357
Issued under employee share-based awards	7	-
Purchases at stated value	(56,004)	(105)
Balance as at December 31, 2021	678,080	1,252
Issued under employee share-based awards	-	-
Purchases at stated value	(41,404)	(75)
Balance as at June 30, 2022	636,676	1,177

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The following table provides the calculation of basic and diluted earnings per common share and the dividends declared by the company on its outstanding common shares:

	Second Quarter		Six Months to June 30	
	2022	2021	2022	2021
Net income (loss) per common share - basic				
Net income (loss) (millions of Canadian dollars)	2,409	366	3,582	758
Weighted average number of common shares outstanding (millions of shares)	663.0	724.1	666.7	729.1
Net income (loss) per common share (dollars)	3.63	0.51	5.37	1.04
Net income (loss) per common share - diluted				
Net income (loss) (millions of Canadian dollars)	2,409	366	3,582	758
Weighted average number of common shares outstanding (millions of shares)	663.0	724.1	666.7	729.1
Effect of employee share-based awards (millions of shares)	1.4	1.7	1.4	1.7
Weighted average number of common shares outstanding, assuming dilution (millions of shares)	664.4	725.8	668.1	730.8
Net income (loss) per common share (dollars)	3.63	0.50	5.36	1.04
Dividends per common share - declared (dollars)	0.34	0.27	0.68	0.49

10. Other comprehensive income (loss) information

Changes in accumulated other comprehensive income (loss):

millions of Canadian dollars	2022	2021
Balance at January 1	(1,177)	(1,989)
Postretirement benefits liability adjustment:		
Current period change excluding amounts reclassified		
from accumulated other comprehensive income	24	54
Amounts reclassified from accumulated other comprehensive income	42	66
Balance at June 30	(1,111)	(1,869)

Amounts reclassified out of accumulated other comprehensive income (loss) - before-tax income (expense):

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2022	2021	2022	2021
Amortization of postretirement benefits liability adjustment included in net benefit cost (a)	(27)	(44)	(55)	(88)

(a) This accumulated other comprehensive income component is included in the computation of net benefit cost (note 4).

Income tax expense (credit) for components of other comprehensive income (loss):

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2022	2021	2022	2021
Postretirement benefits liability adjustments:				
Postretirement benefits liability adjustment (excluding amortization)	-	-	8	17
Amortization of postretirement benefits liability adjustment included in net benefit cost	6	11	13	22
Total	6	11	21	39

11. Divestment activities

Jointly with ExxonMobil Canada, Imperial signed an agreement in the second quarter with Whitecap Resources Inc. for the sale of its interests in XTO Energy Canada which include assets in the Montney and Duvernay areas of central Alberta, for approximately \$1.9 billion (\$0.9 billion Imperial's share), subject to working capital and other adjustments. The transaction is expected to close prior to the end of the third quarter of 2022, subject to regulatory approvals. Imperial's net assets held for sale associated with this transaction include about \$0.9 billion of total assets (about \$0.8 billion of property, plant and equipment) and about \$0.1 billion total liabilities in the Upstream segment. The company estimates that total cash flow from the divestment will be approximately \$0.9 billion, and expects to recognize a gain at closing of approximately \$0.2 billion. Estimated gain and net cash flow could change due to market factors, working capital adjustments, tax impacts and closing dates.

Management's discussion and analysis of financial condition and results of operations

Non-GAAP financial measures and other specified financial measures

Certain measures included in this document are not prescribed by U.S. Generally Accepted Accounting Principles (GAAP). These measures constitute "non-GAAP financial measures" under Securities and Exchange Commission Regulation G, and "specified financial measures" under National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure of the Canadian Securities Administrators.

Reconciliation of these non-GAAP financial measures to the most comparable GAAP measure, and other information required by these regulations, have been provided. Non-GAAP financial measures and specified financial measures are not standardized financial measures under GAAP and do not have a standardized definition. As such, these measures may not be directly comparable to measures presented by other companies, and should not be considered a substitute for GAAP financial measures.

Net income (loss) excluding identified items

Net income (loss) excluding identified items is a non-GAAP financial measure that is total net income (loss) excluding individually significant non-operational events with an absolute corporate total earnings impact of at least \$100 million in a given quarter. The net income (loss) impact of an identified item for an individual segment in a given quarter may be less than \$100 million when the item impacts several segments or several periods. The most directly comparable financial measure that is disclosed in the financial statements is net income (loss) within the company's Consolidated statement of income. Management uses these figures to improve comparability of the underlying business across multiple periods by isolating and removing significant non-operational events from business results. The company believes this view provides investors increased transparency into business results and trends, and provides investors with a view of the business as seen through the eyes of management. Net income (loss) excluding identified items is not meant to be viewed in isolation or as a substitute for net income (loss) as prepared in accordance with U.S. GAAP. All identified items are presented on an after-tax basis.

Reconciliation of net income (loss) excluding identified items

There were no identified items in the second quarter or year-to-date 2022 and 2021.

Current business environment

During the COVID-19 pandemic, industry investment to maintain and increase production capacity was restrained to preserve capital, resulting in underinvestment and supply tightness as demand for petroleum and petrochemical products recovered. Across late 2021 and the first half of 2022, this dynamic, along with supply chain constraints and a continuation of demand recovery, led to a steady increase in oil and natural gas prices and refining margins. In the first half of 2022, tightness in the oil and natural gas markets was further exacerbated by Russia's invasion of Ukraine and subsequent sanctions imposed upon business and other activities in Russia. The price of crude oil and certain regional natural gas indicators increased to levels not seen for several years. By the end of the second quarter, high prices had led to a tempering of demand for some products. Commodity and product prices are expected to remain volatile given the current global economic and geopolitical uncertainty affecting supply and demand.

Operating results

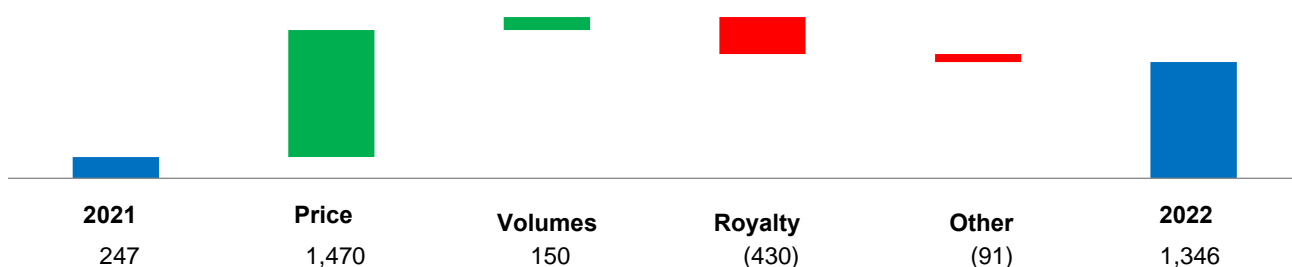
Second quarter 2022 vs. second quarter 2021

millions of Canadian dollars, unless noted	Second Quarter	
	2022	2021
Net income (loss) (U.S. GAAP)	2,409	366
Net income (loss) per common share, assuming dilution (dollars)	3.63	0.50

Upstream

Net income (loss) factor analysis

millions of Canadian dollars



Price – Higher realizations were generally in line with increases in marker prices, driven primarily by increased demand and supply chain constraints. Average bitumen realizations increased by \$55.01 per barrel generally in line with WCS, and synthetic crude oil realizations increased by \$63.87 per barrel generally in line with WTI.

Volumes – Higher volumes primarily driven by the timing of turnaround activities at Syncrude, partially offset by downtime at Kearl.

Royalty – Higher royalties primarily driven by improved commodity prices.

Other – Includes higher operating expenses of about \$180 million, primarily higher energy prices, partially offset by favourable foreign exchange impacts of about \$60 million.

Marker prices and average realizations

Canadian dollars, unless noted	Second Quarter	
	2022	2021
West Texas Intermediate (US\$ per barrel)	108.52	66.17
Western Canada Select (US\$ per barrel)	95.80	54.64
WTI/WCS Spread (US\$ per barrel)	12.72	11.53
Bitumen (per barrel)	112.27	57.26
Synthetic crude oil (per barrel)	144.67	80.80
Average foreign exchange rate (US\$)	0.78	0.81

IMPERIAL OIL LIMITED

Production

thousands of barrels per day	Second Quarter	
	2022	2021
Kearl (Imperial's share)	159	181
Cold Lake	144	142
Syncrude (a)	81	47

Kearl total gross production (thousands of barrels per day)	224	255
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(a) In the second quarter of 2022, Syncrude gross production included about 2 thousand barrels per day of bitumen (2021 - rounded to 0 thousand barrels per day) that was exported to the operator's facilities using an existing interconnect pipeline.

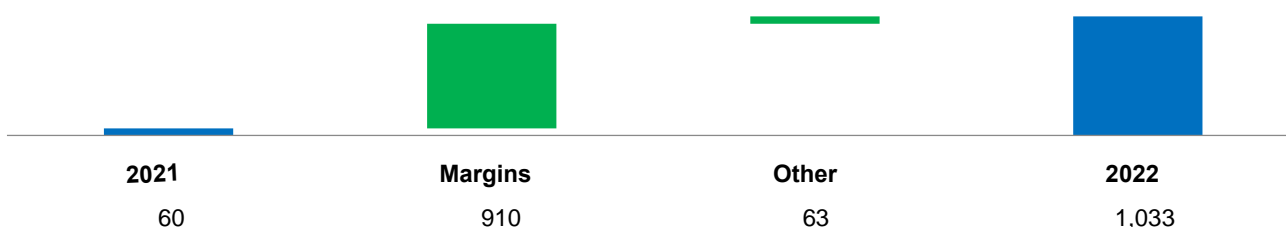
Lower production at Kearl was primarily a result of downtime.

Higher production at Syncrude was primarily a result of the timing of turnaround activities.

Downstream

Net income (loss) factor analysis

millions of Canadian dollars



Margins – Higher margins primarily reflect improved market conditions.

Other – Includes lower turnaround impacts of about \$130 million, reflecting the absence of turnaround activities at Strathcona refinery, partially offset by higher operating expenses of about \$70 million, primarily higher energy costs.

Refinery utilization and petroleum product sales

thousands of barrels per day, unless noted	Second Quarter	
	2022	2021
Refinery throughput	412	332
Refinery capacity utilization (percent)	96	78
Petroleum product sales	480	429

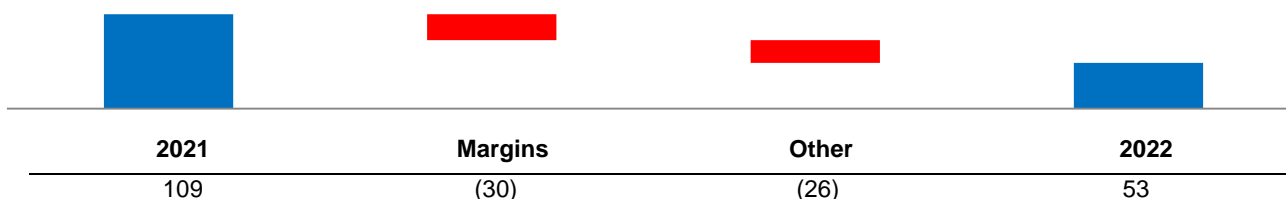
Improved refinery throughput in the second quarter of 2022 was primarily driven by reduced turnaround activity and increased demand.

Improved petroleum product sales in the second quarter of 2022 were mainly due to increased demand.

Chemicals

Net income (loss) factor analysis

millions of Canadian dollars



IMPERIAL OIL LIMITED

Corporate and other

millions of Canadian dollars	Second Quarter	
	2022	2021
Net income (loss) (U.S. GAAP)	(23)	(50)

Liquidity and capital resources

millions of Canadian dollars	Second Quarter	
	2022	2021
Cash flow generated from (used in):		
Operating activities	2,682	852
Investing activities	(230)	(207)
Financing activities	(2,734)	(1,336)
Increase (decrease) in cash and cash equivalents	(282)	(691)
Cash and cash equivalents at period end	2,867	776

Cash flow generated from operating activities primarily reflects higher Upstream realizations and improved Downstream margins.

Cash flow used in investing activities primarily reflects higher additions to property, plant and equipment.

Cash flow used in financing activities primarily reflects:

millions of Canadian dollars, unless noted	Second Quarter	
	2022	2021
Dividends paid	228	161
Per share dividend paid (dollars)	0.34	0.22
Share repurchases (a)	2,500	1,171
Number of shares purchased (millions) (a)	32.5	29.5

(a) Share repurchases were made under the company's substantial issuer bid that commenced on May 6, 2022 and expired on June 10, 2022. Includes shares purchased from Exxon Mobil Corporation by way of a proportionate tender to maintain its ownership percentage at approximately 69.6 percent.

On May 6, 2022, the company commenced a substantial issuer bid pursuant to which it offered to purchase for cancellation up to \$2.5 billion of its common shares through a modified Dutch auction and proportionate tender offer. The substantial issuer bid was completed on June 15, 2022, with the company taking up and paying for 32,467,532 common shares at a price of \$77.00 per share, for an aggregate purchase of \$2.5 billion and 4.9 percent of Imperial's issued and outstanding shares as the close of business on May 2, 2022. This included 22,597,379 shares purchased from Exxon Mobil Corporation by way of a proportionate tender to maintain its ownership percentage at approximately 69.6 percent.

On June 27, 2022, the company announced by news release that it had received final approval from the Toronto Stock Exchange for a new normal course issuer bid and will continue its existing share purchase program. The program enables the company to purchase up to a maximum of 31,833,809 common shares during the period June 29, 2022 to June 28, 2023. This maximum includes shares purchased under the normal course issuer bid and from Exxon Mobil Corporation concurrent with, but outside of the normal course issuer bid. As in the past, Exxon Mobil Corporation has advised the company that it intends to participate to maintain its ownership percentage at approximately 69.6 percent. The program will end should the company purchase the maximum allowable number of shares, or on June 28, 2023. Imperial plans to accelerate its share purchases under the normal course issuer bid program, and anticipates repurchasing all remaining allowable shares by the end of October 2022. Purchase plans may be modified at any time without prior notice.

In June 2022, the company reduced its existing \$500 million committed long-term line of credit to \$250 million and extended the maturity date to June 30, 2023. The company also extended one of its \$250 million committed long-term lines of credit to June 30, 2024. The company has not drawn on any of its outstanding \$750 million of available credit facilities.

IMPERIAL OIL LIMITED

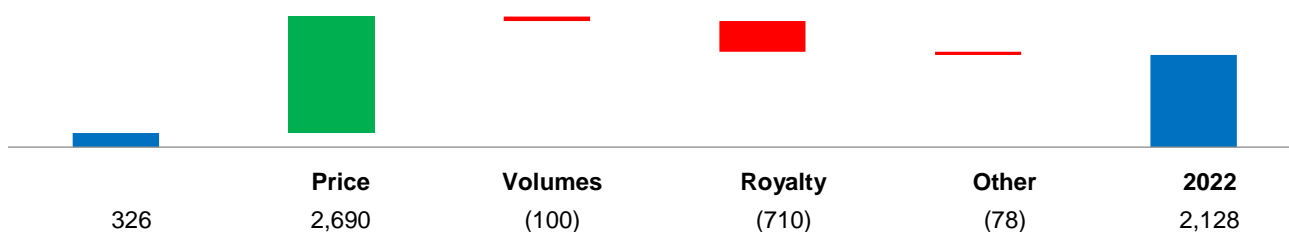
Six months 2022 vs. six months 2021

millions of Canadian dollars, unless noted	Six Months	
	2022	2021
Net income (loss) (U.S. GAAP)	3,582	758
Net income (loss) per common share, assuming dilution (dollars)	5.36	1.04

Upstream

Net income (loss) factor analysis

millions of Canadian dollars



Price – Higher realizations were generally in line with increases in marker prices, driven primarily by increased demand and supply chain constraints. Average bitumen realizations increased by \$49.08 per barrel generally in line with WCS, and synthetic crude oil realizations increased by \$58.99 per barrel generally in line with WTI.

Volumes – Lower volumes primarily driven by downtime at Kearl, partially offset by the timing of turnaround activities at Syncrude.

Royalty – Higher royalties primarily driven by improved commodity prices.

Other – Includes higher operating expenses of about \$220 million, primarily higher energy prices, partially offset by favourable foreign exchange impacts of about \$60 million.

Average realizations and marker prices

Canadian dollars, unless noted	Six Months	
	2022	2021
West Texas Intermediate (US\$ per barrel)	101.77	62.22
Western Canada Select (US\$ per barrel)	88.13	50.14
WTI/WCS Spread (US\$ per barrel)	13.64	12.08
Bitumen (per barrel)	101.53	52.45
Synthetic crude oil (per barrel)	131.41	72.42
Average foreign exchange rate (US\$)	0.79	0.80

IMPERIAL OIL LIMITED

Production

thousands of barrels per day	Six Months	
	2022	2021
Kearl (Imperial's share)	146	180
Cold Lake	142	141
Syncrude (a)	79	63

Kearl total gross production (thousands of barrels per day)	205	253
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(a) In 2022, Syncrude gross production included about 2 thousand barrels per day of bitumen (2021 - rounded to 0 thousand barrels per day) that was exported to the operator's facilities using an existing interconnect pipeline.

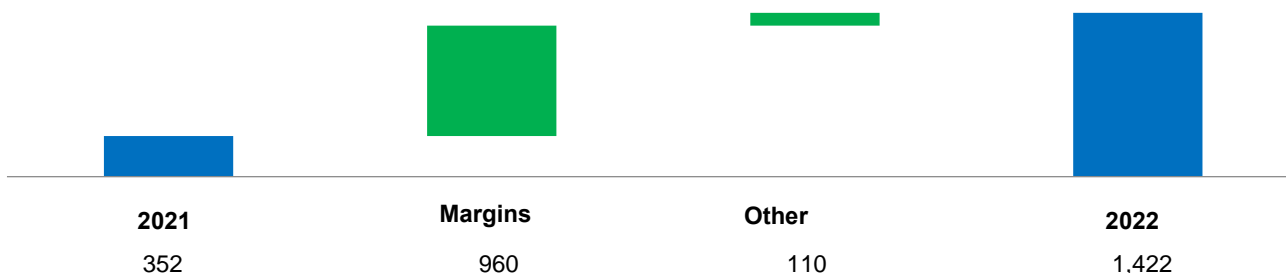
Lower production at Kearl was primarily a result of downtime.

Higher production at Syncrude was primarily a result of the timing of turnaround activities.

Downstream

Net income (loss) factor analysis

millions of Canadian dollars



Margins – Higher margins primarily reflect improved market conditions.

Other – Includes lower turnaround impacts of about \$130 million, reflecting the absence of turnaround activities at Strathcona refinery, partially offset by higher operating expenses of about \$90 million, primarily higher energy costs.

Refinery utilization and petroleum product sales

thousands of barrels per day, unless noted	Six Months	
	2022	2021
Refinery throughput	406	348
Refinery capacity utilization (percent)	95	81
Petroleum product sales	464	421

Improved refinery throughput in 2022 was primarily driven by reduced turnaround activity and increased demand.

Improved petroleum product sales in 2022 primarily reflects increased demand.

IMPERIAL OIL LIMITED

Chemicals

Net income (loss) factor analysis

millions of Canadian dollars



Corporate and other

millions of Canadian dollars	Six Months	
	2022	2021
Net income (loss) (U.S. GAAP)	(77)	(96)

Liquidity and capital resources

millions of Canadian dollars	Six Months	
	2022	2021
Cash flow generated from (used in):		
Operating activities	4,596	1,897
Investing activities	(509)	(354)
Financing activities	(3,373)	(1,538)
Increase (decrease) in cash and cash equivalents	714	5

Cash flow generated from operating activities primarily reflects higher Upstream realizations, improved Downstream margins and favourable working capital impacts.

Cash flow used in investing activities primarily reflects higher additions to property, plant and equipment.

Cash flow used in financing activities primarily reflects:

millions of Canadian dollars, unless noted	Six Months	
	2022	2021
Dividends paid	413	323
Per share dividend paid (dollars)	0.61	0.44
Share repurchases (a)	2,949	1,171
Number of shares purchased (millions) (a)	41.4	29.5

(a) Share repurchases were made under the company's normal course issuer bid program and substantial issuer bid that commenced on May 6, 2022 and expired on June 10, 2022. Includes shares purchased from Exxon Mobil Corporation concurrent with, but outside of the normal course issuer bid, and by way of a proportionate tender under the company's substantial issuer bid.

Forward-looking statements

Statements of future events or conditions in this report, including projections, targets, expectations, estimates, and business plans are forward-looking statements. Forward-looking statements can be identified by words such as believe, anticipate, intend, propose, plan, goal, seek, project, predict, target, estimate, expect, strategy, outlook, schedule, future, continue, likely, may, should, will and similar references to future periods. Forward-looking statements in this release include, but are not limited to, references to the use of derivative instruments and effectiveness of risk mitigation; purchases under the normal course issuer bid, including plans to accelerate completion by the end of October 2022; the sale of XTO Energy Canada and expected closing timing, adjustments and estimated cash flow and gain; and the expectation of commodity and product price volatility.

Forward-looking statements are based on the company's current expectations, estimates, projections and assumptions at the time the statements are made. Actual future financial and operating results, including expectations and assumptions concerning demand growth and energy source, supply and mix; production rates, growth and mix; project plans, timing, costs, technical evaluations and capacities and the company's ability to effectively execute on these plans and operate its assets; for shareholder returns, assumptions such as cash flow forecasts, financing sources and capital structure, participation of the company's majority shareholder and the results of periodic and ongoing evaluation of alternate uses of capital; capital and environmental expenditures; that regulatory approvals related to the sale of XTO Energy Canada will be received in a timely manner and the sale will close as anticipated; the adoption and impact of new facilities or technologies on reductions to GHG emissions intensity; receipt of regulatory approvals; applicable laws and government policies, including with respect to climate change and GHG emissions reductions; progression of COVID-19 and its impacts on Imperial's ability to operate its assets; and commodity prices, foreign exchange rates and general market conditions could differ materially depending on a number of factors.

These factors include global, regional or local changes in supply and demand for oil, natural gas, and petroleum and petrochemical products and resulting price, differential and margin impacts, including foreign government action with respect to supply levels and prices, the impact of COVID-19 on demand and the occurrence of wars; availability and allocation of capital; unanticipated technical or operational difficulties; operational hazards and risks; the receipt, in a timely manner, of regulatory and third-party approvals; project management and schedules and timely completion of projects; management effectiveness and disaster response preparedness, including business continuity plans in response to COVID-19; availability and performance of third-party service providers, including in light of restrictions related to COVID-19; the results of research programs and new technologies, and ability to bring new technologies to commercial scale on a cost-competitive basis; environmental risks inherent in oil and gas exploration and production activities; political or regulatory events, including changes in law or government policy such as tax laws, production curtailment and actions in response to COVID-19; cybersecurity incidents, including increased reliance on remote working arrangements; currency exchange rates; general economic conditions; and other factors discussed in Item 1A risk factors and Item 7 management's discussion and analysis of financial condition and results of operations of Imperial Oil Limited's most recent annual report on Form 10-K and subsequent interim reports.

Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties, some that are similar to other oil and gas companies and some that are unique to Imperial. Imperial's actual results may differ materially from those expressed or implied by its forward-looking statements and readers are cautioned not to place undue reliance on them. Imperial undertakes no obligation to update any forward-looking statements contained herein, except as required by applicable law.

The term "project" as used in this report can refer to a variety of different activities and does not necessarily have the same meaning as in any government payment transparency reports.

Quantitative and qualitative disclosures about market risk

Information about market risks for the six months ended June 30, 2022, does not differ materially from that discussed on page 33 of the company's annual report on Form 10-K for the year ended December 31, 2021 and on page 23 of the Form 10-Q for the quarter ended March 31, 2022.