

Imperial Oil Ltd 2016 Investor Day

September 21, 2016, 9:00 a.m. EDT, Toronto, Ontario

Speaker: Meredith Milne, Imperial Investor Relations Manager

Good morning, and welcome to Imperial's 2016 Investor Day. Thank you all for attending. My name's Meredith Milne. I'm Imperial's Investor Relations Manager. Can everyone hear me clearly?

This morning, Imperial's senior management team will take you through all aspects of our business. With us today are Rich Kruger, Imperial's Chairman, President and Chief Executive Officer; Beverley Babcock, Imperial's Senior Vice President of Finance and Administration and Controller; and Bart Cahir, Imperial's Senior Vice President of Upstream. Also joining us today is Rick Gallant. Rick is Imperial's Vice President of Upstream Engineering.

As far as the schedule goes today, we'll have a brief 10-minute break at around 10 a.m., and we plan to conclude the presentation at 11 a.m. And that'll leave about an hour for your questions. If you have a question, please be sure to use a microphone so that the people on the webcast can hear that question. At noon, we'd be pleased for you to join us for a casual lunch.

Now before I begin, some important messages on safety. There are no evacuation drills planned for St. Andrew's today. In the event of an emergency, an alarm will sound. It'll be a slow beep. At that point, we'd ask you to prepare yourselves to evacuate the building and await further instructions.

If it does become necessary to evacuate, the beep will turn into a continuous tone. And at that point, listen to the fire wardens, take their direction, and we'll evacuate the building. The nearest stairwell to evacuate is out the backdoor of this room, to the left, to the left again down the hallway, and you'll see the stairwell sign on the right. The exit signs are illuminated red.

If you need assistance to evacuate the building, please proceed to the freight elevator, which is out the doors and past the reception desk on the right. Now, once you've left the building, please go west on King Street to 73 Simcoe. That'll be our muster point. That's at the southeast corner of Simcoe and King Street.

Now I'd like to direct your attention to our cautionary statement, which has important information on forward-looking statements, reserves and resource disclosure, uncertainties and risks. If you haven't already reviewed it, I'd ask you to do so in detail. You'll be able to access it and the presentation on our newly revamped website immediately following the meeting.

It's now my pleasure to introduce our Chairman, President and Chief Executive Officer, Rich Kruger.

Speaker: Rich Kruger, Imperial Chairman, President and Chief Executive Officer

Good morning. I'd like to add my welcome not only to those here in the room but those joining us via webcast. I'll get started with what, in essence, will be a summary of today's review and, really, the question that we plan to answer: why Imperial?

Over the next couple of hours, we intend to convey to you what we believe are our distinct competitive advantages and what allows us to add value over the long term. We'll describe in detail our asset base, their quality and performance. We'll talk about risk management as it relates to operational excellence in all aspects of our business, from technical, operational to financial. We'll talk about the value we add through integration across the value stream: Upstream, Midstream, Downstream and Chemicals. We'll talk about growth opportunities, particularly the very large and high-quality portfolio of Upstream opportunities we have concentrated in future in situ developments. We will have a thread throughout our presentation around technology and our leadership in the development and application of technology over time. And last but not least, we'll talk about shareholder value, our demonstrated commitment to adding value to our shareholders over the long term.

Now before we dive into addressing the "why Imperial?" question, I want to step back a bit and look at the questions that come before that. They could probably best be characterized as "why oil and gas?" And "why Canada?" So let me start with outlook for energy. I'll be brief on this, but when we look at energy fundamentals globally, what we see are global megatrends that will continue to drive the world's demand for energy. We participate in an annual survey that ExxonMobil does. It's more than a survey, it's a comprehensive study that looks at some 100 countries, 15 demand sectors and more than 20 different fuel types. It looks at policy trends, technology trends and puts together an outlook for energy. What that outlook points at are these global megatrends: rising populations, there's some 7.2 billion people in the world today and, by 2040, it's estimated there will be 9 billion; economic growth, the world's economies are expected to more than double over the next 25 years; living standards, the growth of the middle class worldwide, trends on urbanization. All of these result in an increased demand for energy. And last, but not least, advances in energy efficiency will work to offset, to a certain extent, the demand growth.

These trends result in our view that global energy demand will increase by some 25% between now and 2040 and that oil and gas will remain key. If you look at that increase, that 25%, that is equivalent to the total consumption in North and Latin America today. So it's no small feat to fill the world's demand for energy.

We see demand driven by increased use in multiple sectors. Power generation, for example, we think, will lead overall growth, and it's important to note, one in six people worldwide today do not have access to electricity. We see continued industrial growth, transportation growth - transportation will correlate closely with, not only the rising population, but rising incomes.

Oil and gas are key and gas will lead the way. It will be the fastest-growing major energy source and pass coal as the number two major fuel supply. Oil will remain important and will be the largest source. Today, liquid hydrocarbons meet about 95% of the world's transportation needs and we see that it will still meet nearly 90% by the year 2040. And then I commented on the energy efficiencies that are assumed. Without those efficiencies, this demand would be much, much higher.

It will be no small challenge to meet this demand. Responsible development, I would best characterize it as a dual challenge to increase the energy supplies that are needed to support the growing populations and growing economies, but to do it in a way that addresses the societal and environmental risk associated with, in particular, greenhouse gas emissions and climate change. It will require balance: balancing social, environmental and economic considerations. And increasingly, we see policies to lower greenhouse gas emissions influencing the overall energy mix.

Investments must compete for capital, and they'll be quite large. The International Energy Agency estimates that \$68 trillion in investments will be required between now and 2040. That is about 44 times the Canadian annual GDP and about four times the U.S. annual GDP, no small feat. It's estimated that nearly 40% of that investment will be concentrated in oil and gas or some trillion dollars a year, 80% of which will be required just to maintain current output levels.

If I take it a step further and we look at liquids, the chart shows significant new production will be required to offset the natural decline. By 2040, it's estimated that the incremental or new production needed will be roughly equivalent to the total daily output today of North America and the Middle East. This is, of course, representative of the natural decline we have with liquid hydrocarbons, 4% to 5% per year. There's no one region that will be able to meet this need. I'll comment more on that in a moment. But all geographies around the globe will be key in supplying the liquids that will be required. I commented on the investments in technology; technology will continue to be key to the overall competitiveness of the resource types around the world, whether that's deepwater Arctic, oil shale or, in our case, oil sands.

Where does Canada fit in? The pie chart shows a depiction of the world's oil resources. And when you look at the subset or the segment of the resources that don't have restrictions associated with OPEC countries, for example,

perhaps, China, Russia, the Malaysias of the world, what you'll see is about 20% of the world's resource base is open to private investment in a material way. Canada represents about half of the world's resources that are open to private investment. And the vast majority of the resources in Canada, some 175 billion barrels are oil sands, 97% precisely.

Canada has the third largest oil reserves in the world, behind Saudi and Venezuela. The oil and gas industry is a major driver behind the Canadian economy and, despite decreases driven by price in the last couple years, remains the largest private sector investment in the country.

From an investor standpoint, Canada has a lot to offer, not only the resource size but, I would say, relative political stability, a reasonably balanced, although there's a bit more of a question in recent years on the regulatory environment, competitive fiscal terms to attract the investment, and then a leader in responsible development through our standards on overall development and operating.

In terms of competitiveness, our belief is that the highest quality oil sands resources can be competitive on a global basis. This is some work with IHS CERA and it depicts many of those areas that are open to private investment and shows kind of a breakeven range. These are the prices anticipated to deliver a 10% return for illustrative purposes, it's not resource-weighted so you can't see the relative size, but it shows the range of prices that may be required.

You can see there's a lot of overlap across the geographies of the globe. When you look at the Canadian oil sands, we further subdivided it into our view of the in situ resources in the country and mining. And just of note, of the 173 billion barrels of oil sands resources in Canada, it's believed that about 80% of that number is amenable to in situ development, while about 20% are shallower deposits more amenable to mining. Our view is that the highest quality in situ resources can be developed and deliver returns as low as \$45, \$50, \$55 per barrel, for example. We'll talk more explicitly about the resources in our portfolio a bit later. Whereas the mining, our view is that's taking something more like or in excess of \$80 a barrel to be commercial on a global scale.

Continuing on oil sands a bit more, there are very unique technical and operational requirements. Shown here is the history, production is pretty evenly split between in situ and mining. Interesting, over time, mining's doubled over the last 10 years, while in situ has essentially tripled. A history of technology and innovation in this industry, certainly in mining and with injection techniques, for example, steam, drilling, horizontal drilling. I think you could characterize oil sands as really kind of a playground for technology and innovation development, again, to ensure its competitiveness on a global scale.

For the resources, economies of scale make a difference. Size does matter here and for mining, in particular, as you have some of the larger fixed costs that are divided out over bigger barrels. Size makes a difference in large scale mines and also makes a difference in in situ partially due to the remote locations we have, some of the logistics challenges we have, so large scale developments tend to be a bit more of the norm.

And then specialized expertise...a bit unlike oil and gas in many other parts of the world from a project execution standpoint and certainly, from conducting project operations. Whether it's in situ and you got large numbers of wells and you're dealing with steam management, water management, or it's mining and all the operational uniqueness or challenges that go with it.

Oil sands tends to be a fairly concentrated industry. Five companies represent essentially 100% of the mining capacity or mining production, and seven companies, including Imperial in both cases, represent nearly 70% of the in situ production in the country. So a unique level of concentration relative to other types of operations globally.

Business environment, I would characterize it as we certainly are facing several challenges today, it's a time of uncertainty as well as opportunity. We've now been in a period for a couple of years of relatively low oil prices. There are a number of environmental and regulatory reviews being conducted across the country, be that for new major infrastructure such as pipelines or major projects, LNG, some of the larger oil and gas development projects.

Global competitiveness pressures - this could be a true statement most anywhere as, under low prices, looking at that prior curve, looking at what does it take to develop a project that's resilient in today's world and can support and attract the necessary capital. I commented on pipeline and market access uncertainties; I'll comment a bit more on that later in the review, but what that does, it puts pressure or uncertainty associated with will we be able to capture global market prices for the commodities for oil production.

Opportunities...anytime you have this level of change and uncertainty, that presents opportunities, and we'll talk about some of those opportunities throughout the course of our morning.

Let me shift to the company, specifically Imperial. Our scope of operation, I would characterize it as nationwide leadership across our full value chain. Some of the fun facts: we have one of the world's largest in situ heavy oil operations at Cold Lake; we were a pioneer in oil sands mining at Syncrude; we've now developed the next generation of oil sands mining at our Kearl development; we remain the largest petroleum refiner in Canada; the largest polyethylene market share, particularly for rotation molding, high-tech specialty applications; we're a leading marketer of fuels and lubricants coast to coast; and then our long-

standing commitment to technology and innovation. So that's kind of us in a nutshell.

When you look at our business model, it's unchanged from recent years, and it's all about delivering superior long-term shareholder value. So over the course of review, we will not only answer the question of "why Imperial?", but we will illustrate or highlight this business model as it relates to our long-life competitively advantaged assets, the discipline we bring to how we spend money, whether that's our operating cost or our capital. We will talk about our value chain integration and the synergies it provides, the uplift beyond being a pure play, be that Upstream or Downstream, and we will talk about and illustrate the high-impact technologies that we have applied and that we're developing to apply for the future.

Talking about operational excellence, responsible growth and, last but not least, our relationship with ExxonMobil that we think does provide us a very unique competitive advantage, whether that's technical and operational know-how and best practices, whether that's the financial strength that comes with that and/or the development of people, Imperial folks out in ExxonMobil's worldwide circuit or ExxonMobil people providing the system support within Imperial's organization.

Company priorities. Today, we're focused on our performance, execution and creating value, specifically the base business fundamentals. Now we described those as safety, integrity, reliability and profitability. It's ensuring we maximize each and every asset's performance. It's capturing the cost and organizational efficiencies that are just essential to compete in today's world. At the same time, we're progressing growth opportunities, the enabling technologies and trying to create optionality to allow us to selectively decide on the scope and pace of the next tranche of growth. We're actively promoting industry competitiveness, advocating sound science-based policies nationally and provincially. And of course, we're collaborating with our stakeholders, whether those are partners in our development, whether those are our neighbors, First Nations groups, in the area of our operation to help develop the support needed to progress energy development activities.

I want to illustrate several areas of our performance and our priorities that are most important. I'll start with safety. We're committed to achieve a workplace where nobody gets hurt. What you see on this chart, on the left, you see industry safety performance over a five-year period and 2015 in terms of incidents, injuries to the point where someone required some form of medical attention. It's normalized so what the bars represent, if you had 100 workers, how many would have been injured over the course of the period shown here. So one would, for example, would mean 1 out of 100. And what it illustrates is that you're two to three times safer, whether you're an employee or contractor, working for Imperial than you are for the rest of the industry. And if I take it down to an individual competitor level, we're the safest company in the industry.

This is important for several reasons. One, it's a moral obligation we have to people. It's good for business. When you have incidents or accidents, it disrupts operations and it affects your reputation. And your reputation is important if parties want to do business with you in the future. So this is unquestionably our highest priority and an area we take great pride in.

What it also represents, though, is to be good at safety, those are many of the same ingredients it takes to be good at other things, operational integrity, risk management, our environmental performance, managing cost and managing projects. So we use safety as an illustration or a lens on the discipline it takes to be good in our business, not only as it relates to personal safety but in all aspects.

Organizational effectiveness. We've taken definitive steps to increase the efficiency and effectiveness of our organization. We've talked in recent years, for example, 2015, we talked about how we extracted \$1.5 billion out of our cost structure at all levels versus earlier plans. Through the first half of 2016, we've taken another \$700 million out of our cost structure, above and beyond what we anticipated we would spend this year. These include market capture, organizational improvements and organizational efficiencies in the broadest sense. Bart and Beverley will follow later and they'll talk more at an operational level what we're doing to lower our cost and improve efficiency.

What I've illustrated here, though, are the things we've done above the operating unit, above the refinery, above the production field. We've achieved a 22% reduction in the capacity of the organization without laying off any employees.

We've reduced our contractors that are typically with us for a limited duration. We've taken advantage of our growth that we had to temper our hiring plans. The demographics of the industry has a bit of a bubble on retirements, so we've enabled ourselves to get more efficient, with all of these levers in play without laying off any of our workforce. And that's so important to not only realign with the business need, but what it's done is allow us to retain the institutional knowledge, the capability that we think is fundamental to competing in our industry. In total, we've taken some \$200 million out of our above-the-operating-unit cost structure in the last year to year and a half through these actions.

Integration and synergies. I commented across the value chain, Upstream, Downstream, Chemical. We'll illustrate and talk more about what we do to capture the full value of equity crude by placing it in the highest netback markets. We'll talk about ensuring that our refineries and chemical facilities get the lowest cost advantage feedstocks; how we have channels to ensure that our petroleum products maximize their value in the markets; the transportation, whether that's equity crude or petroleum products; the networks we use, again, to capture

value; and then the technology and know-how that I've commented on now a couple of times.

Last but not least, you'll hear a great deal from us today on technology leadership, and I would describe it as unparalleled commitment in a history of research and innovation and demonstrated achievement. We invest some \$150 million to \$200 million a year at Imperial in technology and innovation. Then in partnership with ExxonMobil, who invest nearly \$1 billion a year, and we have unfettered access to that. The opportunities that come from this allow us to focus on our resources and maximize their value.

If you look over time, we had the first research department in the country. We invested over time on the Downstream side, whether that's lubes or fuel products. We have the initial patents on cyclic steam. We drilled the first horizontal well in the country. We had the initial patents on SAGD technologies. We came up with the paraffinic froth treatment technology and patents that enabled Kearl to be developed without an upgrader. Now we're working on solvent-assisted technologies that will leapfrog SAGD. And to illustrate our commitment, we're completing a new research facility in Calgary that we will have operational by the end of the year. This commitment is independent of the price of oil but is fundamental to our belief of what it takes to compete, not only now but long term, in the oil and gas industry.

So with this as a bit of an overview and to get us started, I'll now turn it over to Bart Cahir, who will talk about our Upstream business.

Speaker: Bart Cahir, Imperial Senior Vice President, Upstream

Thanks, Rich. A pleasure to be with you here today. I know from conversations out in the lobby there as we were coming in with several of you, there's a lot of interest in how our assets are performing, how we're adapting in this challenging business environment and where we're going in our future.

I'm going to take some time today, talk a bit about the Upstream portfolio. I'll spend a bit of time focusing on our existing asset base, our big three assets, and that's, of course, Cold Lake, Kearl and Syncrude. And then I'll talk a bit about some of the technologies and activities that we're doing and then how that's setting us up for growth opportunities in the future.

Our investors have been patient over the last six years as we've been investing and expanding our oil sands portfolio. 2015 saw the completion of our expansions at Kearl and at Cold Lake with the Nabiye project. And through the year, we ramped up volumes and achieved our highest volumes since 1989.

Our portfolio mix has evolved through time, it's now 96% liquids, and that connects to the energy outlook, where we know that there's going to be

increasing liquids demands as we go forward. And in fact, the increasing trend continued here in the first quarter of this year, where Imperial set its all-time highest liquids production rate for the company at 399,000 barrels per day.

Now let's take a moment to look at some of the big three assets through time. The volumes plot here tells our story of how large, long-life assets gives us the ability to evolve and profitably grow volumes through time. Using Cold Lake as an example, you see the commercial startup in 1985, and you see how we've continued to develop and deploy new technologies and phased developments through time. We also see a similar history with Syncrude, an organization that has developed and applied new technologies like hydroprocessing and also done phased developments with the upgrader expansions in the early part of the last decade. And more recently, you see the Kearl asset coming online and then the phased expansion in 2013 and 2015.

Now let's take a look at Cold Lake. What else can you say about Cold Lake? It remains a world-class asset for Imperial. When you look at its performance and its potential, it really reflects on our organization's strengths. As you know, this 100%-owned asset is the birthplace of cyclic steam stimulation. And while we've produced in excess of 1.2 billion barrels to date, at current rates of 165,000 barrels a day, the reserve life represents more than 25 years of producing life ahead of us. It's a unique asset. It's got 5,000 wells, five different plants, very integrated, 3,000 kilometers of pipelines, and we circulate over 750,000 barrels of water on a given day.

Cold Lake demonstrates the maturity of our organizational approach to operations excellence, to continuous improvement as we aim for our four priorities from an operating perspective, safety, integrity management, reliability and cost management, which all sum up to increased profitability through time.

Many of you have seen this slide before. What you see here is how, through time, Imperial has developed new technologies, operating practices and has been continually innovating to recover more of the resource that we believed was possible at Cold Lake. Through time, the recoverable resources were moved from the high teens to approaching the 60% level. I often tell folks we found two more Cold Lake fields at Cold Lake through this evolution. The comprehensive list of technologies that you see and operating practices that you also see deployed at Cold Lake is an impressive part of our success story.

Looking more recently, I'd like to focus on steam utilization. Our approach to managing our cyclic steam operation has several priorities, the first of which is to maximize the steam to field to enable greater production. The second is to minimize freshwater makeup, and the third is to be as efficient as possible with heat through the process. The reducing of the freshwater piece is critically important. It has environmental implications, and it also has efficiency implications and productivity implications. Because freshwater that we source is

cooler, it requires more energy to generate the steam that we use in our operations. Further, by focusing on being able to recycle produced water, we're able to draw more water out of the reservoir, which enables higher production.

Since 2008, we've had a focused effort on recycling of water at Cold Lake. We've taken a systematic approach to eliminating the next limiter, looking at where the bottlenecks are, where the constraints are and finding low-cost engineering solutions and operating practices that slipstream or increase capacity of our recycling water treatment units. Today, we recycle over 95% of that 750,000 barrels a day that I mentioned before, and we've reduced our freshwater intake by some 20,000 to 25,000 barrels a day, all while increasing our volumes at Cold Lake. The energy efficiency of these gains is the equivalent of taking 4,000 cars off the road every year. And the incremental draw from the reservoir has enabled us to produce an incremental 2,000 barrels a day every year.

Now let's take a look at our reliability performance. At Cold Lake, our turbines, quite literally, are the heartbeat of our operations. They're where we generate the heat to make our steam, and it's also where we generate the power to run our operations. The chart you see depicts data comparing the original equipment manufacturers' provided data for the entire fleet of the equivalent turbo-machinery that we used in the Cold Lake operations, and we put Cold Lake up there for comparison. And what you see is our ability to run the Cold Lake turbo-machinery at an exceptionally high level, approaching 100% up time. What this gives us is an incremental week every year of running capacity.

But this doesn't happen without a lot of hard work at Cold Lake. We've built on the experience of our operating teams to create equipment strategies, also drawing from the expertise of ExxonMobil, and that helps us manage this equipment for the long term. We build best practices looking at our surveillance and operating practices, so the slightest performance deviations are quickly identified and then rectified. And we take a rigorous and disciplined approach to turnarounds so that when we do have to do maintenance, we do it quickly, effectively and get equipment back into service.

Now let's look at how this is translating to our bottom line. Over the past two years, our Cold Lake team has reduced unit costs by over 40% on a U.S. dollars basis. Some of that, as you probably are well aware, about a third has come from lower input energy cost or lower natural gas prices. But the balance, two-thirds of the savings, has come from a couple of areas. I'll describe a couple of them to you. Roughly half of that additional savings has come through our well work operations team, and we've done two things in that area.

First, we've worked through one of our suppliers to develop fully automated rigs. If you've ever seen well work operations and you've seen the rig floor, there's usually four or five people up there. It's a pretty dangerous place. There's lots of

moving parts, and there's lots of things that can happen. We worked with one of our suppliers to design a fully autonomous rig, and we've deployed that over 20% of our rig units in the field. And what we've observed is that those rigs are much more efficient, particularly on the more complex well work that we do. So we combined that with an effort to re-prioritize our work and focus the more traditional rig units on high-payout, lower-complexity work while using the automated rigs on the more complex work where we've gained efficiencies. And this has enabled us to save significant amounts of money.

We've also leveraged Clarify.Simplify.Focus. and looked all of our work processes, how we manage supply chain, all of our supporting logistics, and that has begotten for us the additional third of our savings in the field.

You see the chart on the upper right, and I'd like to thank Mike Dunn and the FirstEnergy team, I hope he's joined us on the webcast, for this data. And what you see is that the Cold Lake asset, which is relatively mature, maintains a very cost-competitive cost structure.

Shifting now to Kearl, 71% owned by Imperial Oil. You know we've targeted a gross production rate of 220,000 barrels a day. We've been now producing for three years, and our investors have been patient, and the success of our recent startup of our expansion demonstrates the continuous learning culture of our organization. With the expansion online, we're capturing economies of scale and driving down unit costs while also driving operating improvements in the mine and in the plant environment. With our progressive reclamation and how we manage water at the site, we continue our tradition of industry-leading environmental stewardship, and we now have all the pots and pans in place to fully produce the 3 billion-plus barrels of reserves at that site. It's a significant high-quality resource with more than 40 years of life ahead of us, so we're very much focused on continuous improvement.

You've heard us refer to Kearl as a next-generation mine, and that refers to the use of our proprietary paraffinic froth treatment technology, which enabled us to build Kearl without having to construct an upgrader. What the technology does is knocks out the heaviest components of the bitumen, the asphaltenes, and enables the bitumen to be diluted and shipped by pipeline to the refinery for refining. In avoiding the construction of an upgrader, by some third-party estimates, Imperial Oil avoided over \$20 billion of investment, and this sets us out for long-term success.

You'll get a flavor from the next few charts of some of the operating performance and improvements we're making at Kearl. You can see volumes delivery on the chart here, and for the first half of the year, we've averaged 175,000 barrels a day on a gross basis. And this includes the impacts of planned maintenance and the wildfires that impacted the Fort McMurray area in May and June of this year. The benefits of scale are also apparent. Unit cash costs are down 56% on a

U.S. dollars basis, and we are ahead of previous guidance, where we said we would be at \$30 barrel on a Canadian dollars basis.

While the benefits of scale are an enabler, it's really been a lot of great work by the Kearn asset team over the last two years to drive efficiency. We've saved over \$1 billion Canadian dollars versus where we thought we'd be in our business plans two years ago. This has come through focused efforts to re-scope work, improve workforce efficiency, reduce supporting logistics and update maintenance strategies at the site. Our team continues to refine and test industry practices and make smart, risk-managed adjustments.

A great example of how we've updated our approach is when we looked at mobile mine equipment maintenance. As many of you may be aware, the triggers for maintenance are set by operating hours. Our team took a detailed look, leveraged a lot of our telemetry and computing capability to understand that all operating hours are not the same. So we look at actual service life and let that guide our maintenance intervals. That enabled us to extend intervals and have significant maintenance cost savings.

A concern you may have when we do something of this nature is if it impacting our equipment availability. And you'll see on the next chart that we're doing quite well in this space.

Availability. Think of availability as the equipment being ready to use, and it's largely a reflection of what I just described, how effective is your maintenance planning? Execution? Are you making smart risk-managed adjustments to your operation? Year-over-year, you can see our availability is improving and now is at industry best-in-class benchmarks for both our trucks and our shovels.

What guides utilization, which is on the right-hand side of the chart, is the call on availability from the downstream assets; ore processing in the froth plants making the call on the mine. Think of it as the truck and shovels are ready, but there's somebody in the seat operating because there's a need.

While we're pleased to see significant year-over-year improvement, we're clearly not where we want to be in this space. The key to reaching industry best-in-class performance is in the area of ore processing, where the ore is crushed, mixed with water, mixed with caustic and then shipped by hydro-processing to the plant sites.

To be clear, there are no fatal flaws in this space, just a variety of teething issues that we've dealt with, and our people are continuing to do a great job of managing, learning from and cleaning up. Once we get to where we know we're headed, we're confident that mine utilization will also reach best-in-class for the industry.

Now let's take a look at our plant operating environment. This chart shows how we're doing on some key performance measures in the plant. Some of you may recall a few years ago, how we discussed that we're making some minor investments to better enable solvent recovery in the initial development. We included those learnings into the expansion real-time so that we had them in place when we start it up. And since that time, we've been able to recycle 99.5% of the solvent that we use in our process. This is important. You see the chart on the upper left, which translates that in the solvent makeup volumes, and you see that, that's decreased significantly over time, by over 60% year-over-year. This reduction in makeup translates into over \$100 million a year, on a Canadian dollars basis, of savings.

Bitumen recovery is also another area of focus. Here, we're literally trying to squeeze every barrel we can out of every bit of ore that we mine. You see a year-over-year 11% improvement that translates into about 20,000 barrels a day of gain. Now I'll be completely forthright with you that when we first started, we were actually below where we thought we needed to be. And so a lot of that gain is getting us up to the expectations, but I'm happy to say today in both areas we're performing better than what we had anticipated.

You've seen now how the Kearl team is optimizing the assets. Given time, we're confident that we will effectively understand how to best creep capacity going forward. In addition to these efforts around operations excellence and improving operating performance, we are implementing some small incremental steps to improve production. Most of these are opportunities where we're tying in things in the utilities part of our plant or things like our process water, so that we can better manage the plants more reliably and maximize productivity through time. These are small, but highly efficient investments to make because they leverage off of the existing asset base. Eventually, we may pursue more major investments. Most likely, we're looking at the area of ore processing and froth separation at the entry of the plant, but these likely won't occur within this decade.

Our ultimate aim isn't a pursuit of a specific production level. Many of you are aware that we have a regulatory limit that lets us produce, on a stream-day basis, up to 345,000 barrels a day. And you probably heard that we have around 300,000 barrels a day of stream-day capacity a day, and weeks where we're over 280,000, 290,000 barrels a day. Our team is out looking to optimize somewhere in the sweet spot in that area that gives us the best chance to deliver the highest value to our shareholders.

Now let's take a look at Syncrude. Syncrude remains a world-class asset and world-scale mine and also includes an upgrader. So as you are aware, this means that the product that we sell, the synthetic blend, is roughly equivalent to West Texas Intermediate from a pricing standpoint. Syncrude remains an important part of our portfolio. We've owned our 25% shares since the beginning

and have been a service provider for over 10 years now. The 1.1 billion barrels, our share, demonstrates the value of the asset and the room to grow. Our focus with Syncrude remains on performance improvement. I know many of you are familiar with recent history and are waiting for it. Today, I'm going to share some specific examples that demonstrate that we're starting to see very tangible evidence that we're on the right track.

Let's start with reliability. Reliability at Syncrude over the past five years has largely been a story about upgrading. More than 75% of our unscheduled downtime in that period has been related to the upgraders.

We've had a focused effort in that time to bring the best expertise from ExxonMobil, from the refining circuit, around taking a hard look at these upgraders and what's the best way to operate them. We've connected Syncrude personnel to training, to networks that support operations, all in an effort to raise the capability at the organization. We've made a key change in that time period to our equipment strategy, adopting what we call mid-cycle decokes. The cokers at Syncrude typically run 36 months between major turnarounds, but we've recognized that putting a smaller, more focused turnaround kind of mid-way gives us the best chance to run flawlessly through the period. These small, focused turnarounds do have a minor offset, where you've added some scheduled downtime, but we know we're going to gain more significant offsets in the unscheduled downtime.

We've executed the first of these midcycle decokes in the fourth quarter of last year, and we saw a very positive response. You see the first quarter volumes for Syncrude, which is a very strong quarter, one of the best in recent memory. The second quarter was clearly impacted by the wildfire and the need to evacuate the Syncrude site and go to a complete stop, which was a first for the Syncrude site in its 40-year history. To their credit, they've come back from that very, very well. And while we'll provide a full view of the third quarter in a few weeks, it's safe to say that Syncrude has come out of that period with very, very strong performance. We expect the quarter to look a lot like the first quarter, and a fun little fact I'll share with you is that August was the best month in the history of Syncrude.

The key for Syncrude going forward, however, is the avoidance of these low-frequency, high-consequence outages. We feel good about the progress on reliability, and we're confident of the direction, but we all recognize the need for a little more runtime.

Now let's look at their cost performance. Syncrude's progress on cost has been dramatic. Over the last year, they've reduced unit cost by over \$10 a barrel on a U.S. dollars basis and this translates into \$1.2 billion of savings, on a Canadian dollars basis, in that period.

Focused efforts have helped reshape and drive workforce productivity, employee headcount is down 18% since its peak, contractor workforce is down 41% since its peak. Syncrude leadership has done a great job taking a hard look at their business and making meaningful structural changes, challenging the way they've executed things in the past and coming up with newer and better methods, to scope their activities and execute safely. They've combined our own efforts to capture market efficiencies and the punch line is, they've moved Syncrude to a place where it's generating cash on a \$40 a barrel world from a West Texas Intermediate standpoint inclusive of their sustaining capex.

Something they may also be on your mind at Syncrude is the recent change in the ownership structure there, and what does that mean? For us, at Imperial, it really means that nothing has changed. We had 25% before, we have our 25% today. The asset remains of strategic importance to us at Imperial.

And frankly, we consider it a very good thing now that 80% of the ownership has a deep oil sands operating experience. If we combine this with the capabilities of Syncrude, we arguably have three of the longest-running oil sands operators, lots of capability, and it's also backed up through our management services agreement by ExxonMobil.

We spent the last few months with owners, and our priorities are very aligned. First, with the continued focus and progress on reliability. Second, we've recognized with two side-by-side operating sites, and an owner with greater interest in supporting improvement that there are opportunities for greater synergies. And as an example, we're working on ways to have some logistics synergies between those operating sites today.

And lastly, there are longer-term integration opportunities, where you could literally look at linking aspects of those two operating sites. As the ownership at the two sites is mixed, this will take a bit of time to work through to make sure the agreements that are in place that are balanced and mutually beneficial. But overall, the bottom line is that we are very aligned across the ownership group. We, as owners, are looking forward to the additional expertise. And we're very much focused on value and making these assets reach their full potential.

I'm going to take a moment now and pull things back up a bit and look across the entire upstream portfolio. Our response to the changing business environment has been to ensure that assets are set up for success no matter what the business cycle, with sustainable structural improvements made to our business.

A year ago, we described the response to changing market conditions and our efforts to continue to ensure that we're getting fair rates from our providers. That dialogue continues every day. We've expanded our use of reverse auctions. Rich shared a great example of that at last year's analyst meeting. And this is a

great way to get a well-defined scope of work out and have the marketplace compete for that defined scope of work.

A year ago, we did 22 reverse auctions across Imperial. This year, we've already completed 34. So you see our expanded use there. We continue to see savings through our reverse auctions. The average savings on them is about 20% and we've saved year-to-date about \$25 million through these reverse auctions.

An important aspect of these auctions is that they inform our discussions that we have when we're continuing to sit down with our suppliers and have that dialogue. We see what the market can bear, how labor rates are moving, how materials rates are moving, and that helps inform those discussions to make sure that we're confident we're getting fair market rates. But more importantly, we've evolved our conversation with suppliers focused on productivity. We're implementing more and more of what we refer to as norms-based contracts.

So what is a norms-based contract? It's literally something that turns the Imperial supplier relationship sort of on its head to a degree. We leverage our procurement team's experience, ExxonMobil experience and look around the world and look at the discrete building blocks of a service. How much labor is needed, how much time it takes to execute work, what materials cost, how long equipment should run and last in your operations, and those set the norms for a service.

We then work with the contractors to normalize that for local market conditions and agree to what the norms for their services that they're going to provide, and make our contracts based upon those norms on a unit of service basis versus the past where we did it on a time and materials basis. What this does is it aligns us around productivity. And by that what I mean is, if the contractor or provider is able to beat the norms, have equipment last longer, execute work more timely, get it done cheaper, they share in the upside. We set a set rate, and then we try and beat it, and share that upside.

So we're very much aligned around productivity. And this shift in norms-based contracting, we've done it in things like scaffolding, things like insulation repair, things like painting and coatings in our operations. This year, we've saved over \$80 million through the productivity gains we've experienced from norms-based contracts.

We, as an organization, continue to look at new approaches, novel solutions and things that we know that will deliver no matter what the market conditions are and no matter where we are in the business cycle. You heard about automated rigs at Cold Lake, you hear about how we're looking at running hours in a different way in the mine at Kearl. These are examples of things that we know will deliver sustainable efficiency no matter what the operating environment.

All of it translates to the bottom line, which has enabled us across our upstream to reduce unit costs by 35% since 2014. These gains are real, and we believe about 60% to 70% of the non-energy related parts of these gains are sustainable into the future. This progress is a testament to our approach to operations excellence and our team's unrelenting focus on continuous improvement. And it's also a measure of our willingness to test new ideas and technologies. Our culture has driven cost below \$20 a barrel, but we know we have much more work to do.

This concludes my remarks on the existing asset base. I'm now going to shift my focus to technology and the growth portfolio. Our challenge remains to provide reliable supplies of energy, while meeting society's environmental objectives. This chart affirms the importance of technology and meeting that challenge, and underscores Imperial's role in meeting this dual challenge while developing our oil sands resources. It shows third-party data on a well-to-wheels basis for indexed emissions. So what this means is production, refining, delivery and ultimate combustion use in automotive or transportation. And what we've done is indexed that to the average barrel refined in North America and compared that to various recovery technologies for the oil sands.

Now I'll say it's a small measure of pride when we look at this chart to recognize just how many of those recovery technologies were developed at Imperial Oil. But that's really sort of the history on things. Of greater importance is the future. And you can see how new technologies are driving down emissions. You see the Kearn paraffinic froth technology up there, which has now brought emissions down to the average barrel in North America. And you see some of our emerging solvent technologies, things like our cyclic solvent process, which are actually putting emissions well below than North American average. I've told you a bit about technology and how it's part of our lifeblood. We've got a good video that demonstrates how it's a core part of our culture. We'll go to that now.

Video: [Imperial's advantage: Research and Innovation](#)

Well, there are occasionally very, very rare days where my optimism goes from 110% down to 105%, and I always pick up the phone and call our research folks and come on over to their center and spend time with them, and I always leave there with two things, my 110% optimism restored and a realization that we've got a lot of really smart people solving a lot of really, really tough problems, and that's a real benefit. But it's a nice way to say and I like our team. I'm going to give you a quick update to how these really smart folks are impacting our portfolio going forward and making a difference to position us for growth.

You can see pictured above the overall resource base is the completion of our expansion. Some 4 billion barrels of reserves, 30-plus years of reserve life for the assets that we have in hand today, and you'll also see 19 billion barrels of potential sitting above that. The most exciting thing that we're looking at that is

some of the in situ potential in there, which we believe hosts some of the industry's very, very best opportunities in terms of resource quality. So that's a nice way of saying Mother Nature has done her part in terms of delivering us pretty good reservoirs. I'm going to now talk a little about what our teams are doing to position us for growth.

This chart here you see summarizes the opportunity. Those top-tier reservoirs sum to about roughly 5 billion barrels of high-quality resource. And we're looking at deploying our solvent-assisted SAGD technology, SA-SAGD. And I'll come to the benefits of the technology here in a moment, but our strategy remains to look at a phased approach to development, where we can deploy the latest technologies real-time and doing it in manageable bite-sized-type projects, a couple of billion dollars at a time, which enables us to continually drive down cost and ensure we're delivering the lowest cost to supply barrels into the marketplace. You can see we've got two projects in the regulatory process, and we continue to progress these opportunities to build optionality around the scope and pace of our activities going forward.

Now a bit more about the solvent-assisted SAGD technology. As many of you may be aware, we've been running a pilot on SA-SAGD since 2010 at our Cold Lake operations, and we've learned quite a bit about the technology. And what we know is that it does deliver a step change in performance. It offers us a 25% lower steam-oil ratio versus SAGD, lower energy intensity per barrel, lower water intensity per barrel and all of those things begin at some areas where you can actually then shrink some of kits. So there's less upfront costs on a per-barrel basis. And you see that when you look how we index versus industry on a dollars of capital outlay per flowing barrel basis.

Our projects team continue to refine our execution approach, leveraging our "design one, build multiple" approach to the projects. And further optimizations have been found in that space around fit-for-purpose scope, modularization, drilling efficiencies, standardization, things that are driving down full life cycle costs of the projects.

Now let's take a quick look at Aspen. As you know, it's 100% Imperial assets that we been in the regulatory process since 2013. Last fall, we did do an update and amend our application to include the solvent-assisted technology, the SA-SAGD-type technology. We expect the project to develop roughly 1.2 billion barrels of bitumen in a phased development with each phase delivering roughly 75,000 barrels a day. While no investment decision has been made, we expect to have regulatory approval sometime next year and cost certainty in a similar time frame, such that we could make a final investment decision sometime in the coming year. On this timeline, first oil would be sometime in the late 2020 time period, at the earliest.

The Cold Lake Expansion is also a 100% Imperial-owned asset with a similar story to Aspen. We started the regulatory process in March of this year, and we're also going to fully leverage the solvent-assisted SAGD technology. The project should develop on the order of 500 million to 600 million barrels in a single phase that we expect to produce around 55,000 barrels a day. Again, we don't anticipate a final investment decision for a while as we work through the regulatory process and get better cost definition through time. So again, first oil will be sometime in the next decade.

I appreciate your time and attention this morning, our upstream story remains one of high-quality, long-life assets, and the value that comes when we put great people and their ideas to work over time in pursuit of continuous improvement and occasionally, deploying a step-change technology that we've developed. You've definitely earned a break to this point. So we're going to go ahead and take 10 minutes, and when we come back, my colleague, Ms. Beverley Babcock, is going to talk to you a little bit about our Downstream and Chemicals business. Thanks again for your attention, and we'll see you in 10 minutes.

(Break)

Speaker: Meredith Milne, Imperial Investor Relations Manager

If I could ask you to take your seats, we'll restart in one minute with Beverly Babcock. Thanks for taking your seats. And now on our Downstream and Chemical business, Beverley Babcock.

Speaker: Beverley Babcock, Imperial Senior Vice President, Finance and Administration and Controller

Thank you, Meredith. It's great to see everyone today, and I appreciate the opportunity to talk with you about our Downstream and Chemical business. I know that this isn't the part of the business that always draws the greatest attention from the investment community, but it certainly is a key part of the Imperial's identity and I would say our success as well. And I'm going to share with you several slides that are going to primarily deliver the message building off a theme that Bart shared with you that this is a continuous learning environment and, although we certainly have leadership in this area, we pursue improvement relentlessly.

So let's start off and have a bit of an overview of Downstream and Chemical portfolio. As all of you know, we have a strong portfolio of assets that span all parts of the Downstream and Chemical business, refining marketing and are shown there, Chemical through Sarnia. Our assets are underpinned by very strong capabilities in this area as well. We differentiate ourselves through running these assets at best-in-class levels. You can see on the bars, in the middle of the page, our sustained high levels of utilization. Our refiners have

been increasing reliability and also our advantage crude runs, as these are key to profitability in this part of the sector.

And we support our operational performance and our customer offering by focusing on the benefits of integration across all parts of this value chain and also offering distinguishing technology. And I know you've heard that theme, Rich touched on it, Bart touched on it and we'll touch on it in the Downstream and Chemical area as well. And because of this, we have a high level of customer satisfaction, a leading market share, and as shown there, high level of petroleum product sales.

At this point, though, you probably might ask, well, what else does this contribute to your business? And certainly, as the Senior Vice President of Finance and Admin, cash flow is an important measure, and I know it is to many of you as well. With more than \$8 billion of cumulative cash flow over the past five years from this part of our business, it certainly is an important funding for our organization throughout the business cycle. And although the Brent-WTI spread certainly has narrowed this year, our location advantages and the utilization improvements that we've put in place, have allowed these assets to continue to deliver an impressive level of cash to our organization in the first half of 2016. However, we do understand that these are mature businesses. So we're very selective and mindful about investment in this area, we don't want to undermine the advantages that the assets provide and also their contribution to our leading return on capital employed.

With that, let's turn our attention, look more closely to our refining business. Our refineries are well positioned and provide impressive capacity. Given their proximity, Nanticoke and Sarnia are essentially run at one facility. They have great access to key markets and also advantaged feedstocks, both of which are very important advantages. And Strathcona is certainly well situated as well to take advantage of the production of Western Canadian crudes.

Being part of ExxonMobil's global network gives us access to global best practices and also allows us to measure ourselves against the performance within ExxonMobil's global network. And I'm going to show you on the next slide some measures of performance. Although not internal measures, they are third-party surveys shown here, and rigorous benchmarking certainly is an important part of keeping our heads level and having a realistic measure of our performance. And I'm pleased to show you in this slide our top-tier performance in Canada and particularly critical elements of profitability. You can see there, our superlative performance in non-energy cash opex, and we certainly recognize that although we are advantaged compared to Canadian industry and the other two measures that there's still opportunity to improve further in both utilization and energy efficiency, and we have these targets clearly in sight. We embrace the challenge with zest and zeal and enjoy trying to pursue improvements.

So let me show you one measure. On this next slide, our 2015 utilization, building off the previous slide, continued to be strong, well above Canadian, North American and global averages with ongoing improvement as shown since 2010. And as I mentioned, we challenged ourselves to improve further. In the next slide, we'll show you some areas that we're considering.

As I mentioned, energy efficiency is an area we're focused on improving. The first opportunity shown here, cogeneration at Strathcona, is something that we're currently assessing. Cogen using our own steam would allow us to create steam using natural gas-fired boilers, and that gives us an advantage over purchasing from third-party power sources, but also in addition to making the power or steam cheaper, it also has an added benefit of reducing greenhouse gas emissions by about 40%. The earliest timing for a final investment decision on this potential investment is shown here, next year. We also continue to assess the diluent recovery unit in Strathcona as a means to capture both transportation savings and also reduce our diluent supply cost. There's a lot of variables that play an opportunity like this, and we are continuing to evaluate it. And so an investment decision will take some time on this, and that is still forthcoming.

We do look to provide improvements not only through investment, though. And this next slide speaks to some of the institutional knowledge that Rich referenced in his first part of the presentation. Our supply organization helps optimize the value created through both our Upstream and Downstream and Chemical parts of the business. They use very sophisticated models, they focus on finding the best outlets for our crude and our products. Combined with the scale of ExxonMobil, our supply organization captures commercial value along the entire value chain. And as you know, we've taken steps as well to increase further our flexibility in this midstream optimization, and I'll speak to our rail on this slide.

At 210,000 barrels a day of capacity, our joint venture rail terminal certainly provides us with an effective insurance policy to allow us to deliver our Upstream production to the highest value markets, and that's regardless, of course, of pipeline availability. And the use of rail also increases our access to markets by providing transportation to refineries that are not accessible by pipeline. Overall, we're pleased with this investment and continue to access those markets aggressively.

Let's now turn our attention to our Downstream marketing activities. Our marketers and refiners work hand-in-hand to deliver high-quality products that our customers demand nation-wide. We have a leading market share in every segment of our business, whether that's as shown here, wholesale sales to large fuel resellers; commercial sales to aviation, marine or transportation customers; or industrial sales to mines, mills, factories. To expand the theme that we've been discussing, of course, we continuously look ways for making this part of the business better as well.

So let's take a look and talk about our retail conversion. As you all know, we regularly review our assets and assess whether we think that they're more productive and valuable for us to retain or whether they might be better off as an investment candidate. The assessment of our last 500 company-owned sites was begun in 2014, well before the downturn in oil prices. And through that assessment, as you know, we've confirmed that for us, divestment was the best option. We're very happy with the outcome of the negotiation. We will be collecting nearly \$3 billion in proceeds from these sales, and we do expect all of these sales to close by the end of the year. We are analyzing our options for the use of that cash. Our priorities for the use of cash have not changed. We fund sustaining capex, shareholder distributions, and certainly, look to have funding available to us to maximize any future opportunity pursuits. We do have extensive experience in the branded wholesale model, as everyone knows. And that model is outlined on the right-hand side of the chart. And we know that our partners and their qualities are very important in this channel of the business.

I'll touch on our go-forward plans on this next slide. The branded wholesale model, as I was saying, really unites highly capable partners as focused on their areas of strength. We have successful experience with the branded wholesalers who are purchasing these sites and through establishing long-term supply agreements with them. We are all aligned in our interest in growing our fuel sales. The right side of the slide shows Imperial's ongoing commitments to provide fuel innovation, enhance the customer experience, including things like loyalty programs. All of these important tools are intended to continue to focus all of us on growing the Esso brand.

Now let's turn briefly to our Chemical business. As you know, the cornerstone of our Chemical business is our Sarnia polyethylene plant and gas cracker, it's shown in the photo there. It has an advantaged location, being located within one day's drive of about 60% of the North American market for specialized polyethylene, for injection and rotational molding. It's fully integrated with our Sarnia refinery, which also gives it advantages. It allows us to drive down cost through shared services, optimize through interconnected facilities and also harmonize the operating practices between the refinery and the chem plant. It is consequently a top-tier operating asset, and it produces, as a result, very competitively priced specialized PE that certain customers demand. Proprietary technologies are used to help us produce those specialized PE products and also allow us to make real-time optimization decisions within the operations themselves.

For those of you who aren't familiar with the PE market, we're going to take a brief closer look at it. So many of the products that you and I use every day are made from high-strength polyethylene. The location advantage that I mentioned for Sarnia and its low-cost operations has allowed us to develop a leading North American share in rotational and injection molding markets. We market premium

resin grades. And when we combine that with our technical advantage, that allows us to respond to very specialized needs within this focused market. And through that we maintain very long-term relationships with these customers.

Let's now see how the technical advantage also contributes further. The plant itself in Sarnia is designed with proprietary technology, and that technology allows us to run a very wide range of feedstocks. We maximize the use of low-cost refinery off-gas, and then we supplement that with purchased feedstocks. The availability of ethane within North America has allowed us displace highest-cost propane at this site. And you should see there a graph showing the feedstock mix. The unique customer offer that I've mentioned on the previous two slides, combined with our ability to maximize this use of low-cost feedstock, are both important factors that allow us to meet the customer demand while also growing our unit margin.

But we continue to challenge ourselves to get better further, and I'll show you another way that we're making ourselves even more successful. Our new gas cracker in Sarnia grows capacity by 7%. This, of course, grows our margin opportunity by lowering cost, and it also increases production volumes. In addition, it has the benefit of reducing greenhouse gas emissions as it has replaced older furnaces.

With that, I'll just summarize my portion of the presentation. If we step back, this final chart really just provides you the key messages that I've shared and building off of many of the messages that you heard before me. Our asset base certainly has advantages through both its location and its scale, but it's not really just about the assets, particularly in this part of the business. We differentiate ourselves through our expertise and the excellent operating results that we generate. We also work very hard to capture the benefits of being an integrated oil company by focusing on general interest value across all parts of our business and also having a customer focus. And all of this, of course, is underpinned by our technology leadership. And that technology leadership is applied for product development and also supporting our operations and our customers.

With that, I'll turn it back to Rich; he'll tie things together at a corporate level. Thank you.

Speaker: Rich Kruger, Imperial Chairman, President and Chief Executive Officer

Thank you, Beverley and Bart, for your earlier comments. As Beverley mentioned, I will, in our last section here, give you a bit of a shareholder perspective on performance. And I'll start here with the overall financial performance.

Shown here is cash flow from operating activities over the last five years split into Upstream and then Downstream and others. What you see is the value of that integration across the business cycle. Over this period, we've generated nearly \$20 billion of cash flow from operating activities. It is nearly split 50-50. And what it amounts to is a bit of a natural hedge. As crude prices have dropped, our refining feedstock costs have been lower, and you get the effect that we show here.

Continuing on, capital efficiency. Return on capital employed, we believe in an industry like ours, long-term and capital intensive, that it is a very key measure. And our advantage relative to competitors is pretty evident, essentially double our peers over most any time frame you look at. Here we've shown three and ten years. This doesn't just happen. It's achieved through discipline on our investments and then the quality of our life cycle operations, as both Bart and Beverley have described.

From a financial strength standpoint, we maintain a strong balance sheet and have priority access to financial markets. Clearly, our relationship with ExxonMobil is an advantage here in terms of interest rates and access to markets on attractive terms. Our use of floating-rate debt to get adjustable rates versus long-term fixed, and then the capital structure, which once again gets back to the discipline in the investments, all give us a great deal of flexibility to pursue opportunities that we may find attractive.

Shareholder distributions priority. Over the last 10 years, we've returned more than \$10 billion to shareholders. We've shown it to you a couple of ways. Looking at an average payout ratio over that period relative to peers and then in terms of total distributions as well, the \$10-plus-billion I've noted. Share buybacks, a proven history of returning cash and preserving value. Over the last 20 years, we've repurchased more than 50% of our shares. We've employed a non-dilutive equity strategy in terms of growth during this period. We didn't reissue shares to fund that, all with our priority on our shareholder interest.

Dividends. Priority is to pay a reliable and growing dividend. If paying a dividend for more than 100 consecutive years and 21 years of consecutive growth qualify for that. You can see that priority in play. And over the last 10 years, our compounded annual growth rate has been 5.5%. And we increased our dividend this year, payable in the second quarter, to \$0.15 a share.

Capital expenditures. We've commented about recently completed growth and our evaluation of future opportunities, specifically Kearsley and Nabors projects and the capacity they've added. A couple of updates. If you look at the chart, historically, 2001 to 2009 or so, we spent on average about \$1.5 billion a year. That was sustaining capex. It was some selective growth projects in that period. We went through the growth period of 2010 to 2015, where the average jumped up in excess of \$5 billion a year. The low of \$3.5 billion, the high of nearly \$8

billion during that period. As we look to the future, over the next five years, we see it a bit more in line with historical, about \$1.5 billion. And a couple of updates. A year ago, we assessed our sustaining capex needs of about \$1.2 billion a year, thereabouts. As time has went on, we've continued to optimize, we've extracted market savings, efficiencies productivity. We now see our sustaining capex closer to about \$900 million a year, down from the \$1.2 billion. And this is to ensure the health and well-being of all of our Upstream, Downstream and Chemical assets to ensure they can fulfill the promise of the investments we put behind it.

On growth over the period, last year, we showed and anticipated over the period somewhere in the range of \$1.2 billion a year over the five-year period, it's revised down this year. The number we've shown on this chart is closer to \$600 million. But it's, as both Beverley and Bart described, it's a bit to be determined. We're doing the technical and evaluating the work on the in situ projects and on some of our Downstream opportunities and so the funding decisions are ahead of us. For a demonstration purpose, we've assumed it's a little bit slower pace than a year ago. But there, again, I say that, those are decisions that are in front of us.

The similar chart a year ago showed the \$1.5 billion that we're showing for a five-year period. It showed at about \$2.4 billion. That's the reduction of sustaining and the assumptions around pace of growth.

Our guidance for this year. In January, we came out and we gave guidance of about \$1.8 billion. If you take where we were at the end of the first half, a bit over \$700 million. If you annualize that in the second half, you get somewhere in the \$1.3 billion - \$1.4 billion range. That's where I anticipate we will end this year from a capital spending.

We will give 2017 guidance at the end of this year or in January of 2017. But as you take my comments on the growth profile, what you can interpret is that the five-year period shown here is a little bit more back-end loaded. So I think you could anticipate 2017 to be something a bit less than we spend this year and a bit more than the \$900 million a year on sustaining capex. So somewhere in that range is what I anticipate sharing with you at a later date.

So what does it mean in terms of financial resilience? I think it shows that our strength provides flexibility under a wide range of prices. Certainly, shown on the left are, if you take the dividend at the current annualized rate, current annualized rate is all it represents, don't interpret it as any more than that, that would be about \$500 million a year. You take the sustaining capex that I just mentioned, \$900 million, combined \$1.4 billion. Then the growth that I described on the earlier chart, on average over the period about \$600 million. The bar on the left adds up to about \$2 billion a year. We have our ability to meet our highest

priorities, specifically dividend and sustaining capex in a sub \$40 a barrel WTI world.

Dividends, sustaining capex and the growth that's shown here, we would need something closer to a \$45 a barrel WTI world to execute the plan as shown. A year ago, we described just the sustaining capex alone we estimated we needed about a \$40 a barrel world and for sustaining plus dividend, that it was somewhere north of \$45, perhaps \$47, \$48. So this is a material change improvement year-on-year. With the actions we've taken in terms of improving our cost structure and driving efficiency, productivity as well as our assessment of the market dynamics, all the way from differentials, transportation, whether it's rail or pipe, it's the market, the basket of all of these have led us to this, to the outlook that I've shared with you here.

So let me take us back to where we started, with the “why Imperial?” question. You've heard our story. I started out with making a bit of a case on why oil and gas with the energy outlook, our long-term view. I continued on to with why Canada, the tremendous resource potential, the opportunity set, the framework for political, environmental and regulatory. We've talked extensively now about “why Imperial?” What we believe to be our competitive advantages shown here. I hope you found that we've illustrated or amplified those throughout the presentation. They're certainly aligned with our business model. And we don't feel they're easily replicated.

Our demonstrated shareholder value, the last section I went through. We talked about “why Imperial?”, and at the break, I was asked a question or two, and thought I would also summarize, not only “why Imperial?”, but who are we? And here again, I hope you've heard this in our comments today. We are a very rigorous company. We do not believe that any detail is too small. We are a very disciplined company about how we go about things, our approaches, our processes. We are very thoughtful. We believe you measure twice and you cut once in our industry. We're very long-term-oriented. We certainly are not immune to short-term market aberrations, but we don't get too excited when prices are high, nor do we slam on the brakes too hard when prices are low. We certainly adapt and adjust and make the most out of whatever business cycle we find ourselves in. We are technology-oriented. Over time, we believe technology leads to solutions and continuous improvement. Whether that's recovery at Cold Lake or whether that's addressing and lowering greenhouse gas emissions from all of our operations. We have, and we hope we shared some of this with you, we have a strong team with technical, operational and management, very, very focused on what our priorities are and focused on performance. And last but not least, our goal is to be the best of the best in whatever business environment we find ourselves in, and we work tirelessly to achieve that.

So that's the end of our review. And what we'll do now is we'll open it up to you for your questions. Thank you very much.

Question & Answer

Jason Frew: It's Jason Frew with Credit Suisse. Rich, I was just wondering if you could elaborate on how Syncrude could benefit from being more integrated into a regional development?

Rich Kruger: Yes, well, amplifying some of the comments Bart said...Syncrude, of course, large complex operation, but it was also a large complex governance structure.

There were seven owners to it. Owners had a wide range of experiences and thoughts. With the recent consolidations that have occurred, there are fewer folks around the table. And the folks around the table, if you put Syncrude in that mix, 80% plus of the ownership are very, very experienced oil sands operators, whether it's on the mining or in situ. We like that. We owned 25% before. We own 25% today. We're just as committed. It's all about improving and adding value. So the ownership change, we think, does that.

Now if you've been up in the area, you have two large mines, the two largest mines, literally across the street from each other. So looking at how, whether that's things like inventory management, whether that's planning, whether that's surplus facilities, do we literally move fluids back-and-forth between the two sites.

These are some of the things we'll be looking at. Initially, it's been about sharing best practices. Syncrude does this well: here's some Imperial, ExxonMobil practices, here is some of the other owners' practices. How do we bring that to bear to enhance performance? And then as we look at integration or the next steps, it will really literally look at how can we jointly do things?

I think it is important the point that Bart made is, there are still two different ownerships on it. So any of the integration steps need to be good for both sides. They need to make commercial sense. But I also have confidence that the owners on both sides will look at improving and adding value. So I think we're going to achieve benefits over time.

Arthur Grayfer: Arthur Grayfer, CIBC. I have two questions, please. So the first one is, if I look at the slide on Page 67, you talked about the financial strength. In Q2, the debt-to-capital was just under 30%. That's before the receipt of the retail network proceeds. So I'm guessing after the \$3 billion comes in the door, that's a mid-teen debt-to-cap. So can you talk a little bit about what your thoughts are on having \$3 billion in cash on the balance sheet and what looks like to be a free cash flow profile? How do we think about that?

Rich Kruger: Yes, first I'd start off with, boy, what a good problem to have. Over the last couple of years, we wouldn't have necessarily thought we'd be there. I

think Beverley hit on it really well. If you look at our priorities, it's certainly going to be the things like our sustaining capex, taking care of the assets we have, it'll be the shareholder distributions, I commented on our dividend objectives, the share buyback history on it, and then looking at where do we see incremental value for growth on opportunities that can compete in a global commodity market. It's not only is it the best opportunity we have, but how does it compete and will it deliver returns across the inevitable commodity cycles?

So we're working through right now exactly where all that nearly \$3 billion goes into each of those buckets. But I think if you look at our history and what we've said and demonstrated repeatedly, our priorities, you'll see that in our actions. In terms of cash on the balance sheet, we want to put our cash to the highest and best use. With the financial strength, we don't have any particular challenge borrowing money if we wanted to do that. So leaving something on the balance sheet in a more idle manner, that's probably not us.

Arthur Grayfer: Is there then a debt-to-cap target we should think about? Is 20% the right number?

Rich Kruger: Yes, Arthur, we've been asked that before specifically. And we really don't have a particular target. We want to, obviously, meet our needs, live within our means.

The finance costs today and particularly for us are pretty darn low. So that doesn't fuss us. We think we have the strong balance sheet. More than anything, we want to have the flexibility to respond to opportunities, whether they be opportunities that generate from within our portfolio or those are opportunities that in this marketplace, we look at and seek to capture from outside. So there is no hard fast target for us. I think it'll just – it'll be efficiency and ensuring we have the strength and flexibility that we seek.

Arthur Grayfer: So the second question is around the Downstream business. There's a slide where you talked about over the last five years, the revenue was roughly split between the Upstream and Downstream. Can you talk a little bit about the perspective of when the northwest refinery comes online at the end of 2017? Is there a risk that materially affects Edmonton refining margins? And what are some of the things that Imperial can do to mitigate that risk?

Rich Kruger: It's the nature of our business, right, in terms of the competition. If you look at North America, particularly from the petroleum product side, it's a mature market.

The demand with energy efficiency, I think, despite folks south of the border are buying SUVs and light-duty trucks when the price of gasoline goes down. We still look at the long-term trends. It's competitive, it's mature, demand is relatively flat to declining with population, energy efficiency, etc., etc. That's the market

we're competing in. So it leads us to be razor-sharp on our operating, on our operating cost.

But then when we see other threats or market changes, we look to what can we do to further strengthen ourselves? I think an example is the truck transport deal we announced with Husky, where we're taking their business, our business, combining them together under the Esso brand. We have long-term supply agreements to that business. That's part of it. So that helps ensure that particularly out West, our products, our output from the refineries have a home.

Now market prices and margins will be what they'll be. But if we maintain the most cost-effective, the highest reliability operations, if we have premium outlets for our petroleum products, which again, start with branded wholesaler locations and things where we're not just dumping it to the market, we believe we will compete and compete strongly. So certainly things come in and they represent threats to it, but we see those things coming, we take actions accordingly to strengthen ourselves in whatever that environment ends up being.

Neil Mehta: Rich, Neil Mehta here with Goldman Sachs. Wonder if you could provide some comments on the M&A environment as you see it. Whether it's the corporate deals or at the asset level, where do you see the bid-ask here in Canada?

Rich Kruger: I think from us, what folks have heard over time is patience. Anything we would look, in a sense, everything's for sale, but I wouldn't necessarily say we're interested in everything. In terms of what we might be interested in, it has to fit our business model. And that business model goes back to the high quality, long life, competitively advantaged assets that we, through our operational know-how, our technical know-how, continue to add value to above and beyond what the current owner would have over time. That's what we're looking for.

I've said in the past, I think I said it a year ago, we didn't think the worst of this cycle is over yet. Well, we're in it another year. I don't know if I'm projecting better or worse, but patience remains the operative word for us. We are looking at opportunities. Obviously, if anybody is waiting for an announcement today, I wouldn't hold your breath on that. That's not us. But we do look at it.

But I think it's important to note and Bart described this well, we have a very large and we believe attractive opportunity of growth within our portfolio today. So as we look at things, we're going to look at how might they compare to what we have. And when you couple the large inventory, the high quality that Mother Nature has blessed us with, the technologies that Rick and his team are developing, you put all that together. He used the SA-SAGD as illustrative from a cost per flowing barrel. We're talking about a step change improvement.

So M&A would need to compete with that. And when we take something from the very beginning, we design, we build it, we operate it. We know what we have. We have high confidence that it will deliver value over time.

In my mind, you need to be thoughtful in this environment, not get too excited by yard sales, and be sure that it's really, it's what you want. And I think more than anything that will describe us. And if we participate, it'll be what we want. And we're going to be patient to find what it is or we won't do it.

Neil Mehta: I appreciate that. And the follow-up is, the conversation on impairment and accounting that's happened over the last week as it relates to ExxonMobil. Can you talk about that in the context of Imperial and why your conservatism around the way you think about assets might justify your behavior?

Rich Kruger: Well, let me just start out with simply saying that our results are in accordance with the accounting and reporting requirements of the Securities and Exchange Commission and FASB, period.

So now, how do we look at things, and you've heard a bit of that today. We take a long-term view. We look for resiliency in our projects. So we don't evaluate our projects under current or high price decks. We look at it over a range of things. We recognize the cyclical, long-term nature of our business and we invest accordingly. And if you look at the results I showed, you look at return on capital employed I mentioned, that doesn't just happen. That describes, I think, the rigor and the discipline, the measure twice, cut once approach we make to investment.

Greg Pardy: Greg Pardy at RBC. You touched earlier just on the operating costs at Kearl and you said that they're below \$30. So how much below \$30 are they just to get a sense there? I mean, you talked about breakeven as well, but what do you need to break even at Kearl right now?

Rich Kruger: Yes, Greg, a year ago, I said that, and that was my cute little slide that said our objective or target is below \$30 a barrel Canadian. The objective is absolutely as low as it can be. And I have been incredibly pleased, impressed with what our team has done, not only to capture what the market could bear, but look at the productivity improvements. I think Bart illustrated some very tangible examples of what we've done with the mine, with the mine equipment. What we're doing with solvent recovery and incremental bitumen. So we've driven that well down below \$30.

He commented on the Upstream overall. And if you look at our Upstream, Cold Lake will be the lowest unit cost. You saw some charts on that. Syncrude, because of the upgrader would be the highest and Kearl would be in the middle. And our Upstream overall is at or below \$20 a barrel, U.S.

So if you look at Kearl, this is a long answer to say I'm not going to give you a specific number. We're well below the \$30 Canadian, but if you look at that average, Kearl's kind of in the middle and the middle tends to be about average. So that's kind of the range we're in.

I did that pretty good, didn't I? But we're not done yet. And what's important in that is looking at the denominator. We've not yet put quarter after quarter of 220,000 barrels a day in it. And what I'd tell you on the mining, more so than any oil and gas operation, mining is about economies of scale.

So when you put those barrels in the denominator, you continue to drive down that unit cost. I think we've said before that the incremental cost of a barrel of production on a mining operation, it's more like a refinery. So where as an average, I didn't say this, but Bart did, where an average, let's say that average were about \$20 a barrel.

Let's say it were that. If the incremental is about \$5 or \$6 a barrel, so you drive down the unit cost with reliability. And so we've got the dual focus on getting up to the full capacity at Kearl and that will help on the unit cost as well as being more efficient and productive.

So I don't have a new number yet. Last year was less than \$30 Canadian. It's a number in my mind, and I'll probably share it with Bart as I see a little more performance is a lot lower than that. And I've got a lot of confidence that, that's exactly what we're going to be able to achieve.

Greg Pardy: So let's just talk about unit rail transportation. Back, I think, when we talked to you around Stampede time. You said, the numbers have come down, I think, based on the past between Edmonton and the Gulf Coast have been around \$17 U.S. How much has that number come down? And obviously has implications for differentials longer term. And then the second part of that is, how much of your production is going on rail these days?

Rich Kruger: Yes. First of all, whether it's equity crude or whether it's petroleum products, our preference is pipeline. It's the safest, most reliable, lowest cost.

Now what Beverley also highlighted is rail gives us access to markets, particularly some of the East Coast refineries, increasing some of the West Coast and California, that are not pipeline connected. So rail allows us to now feed crude to 35-some refineries, and with a large, long-life asset, that's what you want, you want as many customers as you possibly can.

I'm going to get to your question here, Greg. We started along the rail path a few years back when we saw the world, Western Canada, unfolding differently. We saw continuing production growth, we saw market access constraints, much more severe than they've turned out to be right now.

So we undertook rail, and literally the way I described it to you the first year we talked about it was a bridging agent to new pipe or the worst case, an insurance policy if the pipe didn't come there. So what it does for us? It gives us a great deal of flexibility. We're getting the vast majority of our equity crude today into pipe, and that allows us to get it to where we want. We're using rail as an optimization tool. So our rail terminal is underutilized. For an asset, that normally is a bad thing. In this case, it's a good thing because it means we have higher-value markets that we have access to. But that rail terminal also gives us that flexibility if the market were to turn around, if incremental Western Canadian production would come on, we've got the flywheel to ensure we can get our crude to markets almost independent of what happens in the market.

Now cost, we've talked about cost in the Gulf Coast, indicative cost, \$7 to \$8 a barrel, something like that, U.S. dollars on pipe. We had talked at one point in time of the efficient rail, which is what we have, unit trains at our Edmonton Rail Terminal as somewhere at \$15 - \$17, something like that. It's below that.

We have that, both the efficiency, rail rates, the call on rail from all industries, we're down below that. So now we look at the incremental or the marginal rate, rail is allowing us to not only get it to market, but as I said to further optimize where we get it.

So we'll look at, if we move the incremental barrel to the Gulf Coast or we move it to the East Coast, the difference between pipe and rail, what's the best deal? And increasingly, we're moving barrels on rail to other markets because rail cost has dropped below what we had originally anticipated.

Greg Pardy: Last one for me, because you sort of didn't answer the first one, but that's okay.

Rich Kruger: But you noticed that, huh? When it comes to specific cost, it's kind of like M&A. We're not going to give you the exact number. Not because I don't want you to know, Greg. I like you and I trust you. I don't want my competitors to know.

Greg Pardy: Aspen, I think you talked 25,000 of flowing or less capital intensity, yes, or no? I'm assuming, it's below that number now in terms of the cost. That's it for me.

Rich Kruger: We're still working the cost and the design on it. But the order, the number you've talked about is, yes, that is definitely in the range we've talked about, where we've looked at, it depends on U.S. or Canadian dollars, we've looked at kind of industry best-in-class. That is 30% or so more than that. And that ties with the benefits that we've talked about SA-SAGD in terms of lower steam, higher well rates. And we've talked about a 25% to 30% improvement,

and that translates back into that initial capital cost as well. Did I get a little closer on that one? Thank you.

Steve Arpin: Sorry. Steve Arpin, Beutel Goodman. I just wanted to ask about the diluent recovery unit, and just how close you are to a decision there, the economic case? And what it might mean, not only for you, but for the industry because obviously any non-upgraded barrel. I mean, if there's an economic case for you, ultimately there's probably an economic case, period, for the industry.

Rich Kruger: Let me take the second part of your question or comment. It may or may not, it depends a little bit on what your infrastructure, what your opportunities are. For us, with the large-scale operation and the Edmonton Rail Terminal and the Strathcona refinery right there, we have kind of the ingredients to make something like that work. If others don't have those same ingredients, it may or may not. They may require for what we would look at for a diluent recovery unit, they might require additional or other investment to make it work. So I wouldn't necessarily say industry overall. You really need to look at individual players.

Time frame on it. It's a complex project to evaluate because what it is, it's about small differences between a series of big numbers. And that's diluent supply, diluent cost, it's the transportation question Greg asked on rail versus pipeline alternative. So we not only have to do a lot of the internal work we typically do to cost a project, but we have to do a lot of market evaluation and projections, saying what's going to be going on in the diluent market, what's going to be going on, on the demand for pipeline space? So I probably, a year or two ago, I would have thought we might have been a little closer to a decision on yes or no. But as we sit here today and with all the volatility and uncertainty in the market, supply, demand and the whole thing, I would say we're still a ways off from making that decision because it's a real complex one to make. Go ahead.

Steve Arpin: Can you maybe touch a bit more specifically on what the most complex forecasting issue is? In other words, is it the price of diluent, is it pipeline availability, is it...

Rich Kruger: Yes, because what it is, of course, the project, overall, you're talking about your base case is you're transporting, you're buying diluent, diluting bitumen and you're paying the transportation for that 25%, 30% inflated volume. You're stripping it, you're returning it and you're recycling that diluent.

What a diluent recovery unit would do would be to strip that closer to the source, keep the diluent, recycle up in Alberta and then ship via rail a lesser volume. So you're looking at what are rail costs going to be versus pipeline, because if you're moving a diluted bitumen, it's going to be in pipe. So if you're going to ship 30% less, what are the rail costs versus the pipe. What are the diluent costs, not only in absolute terms, but you'll save that if you were -- it's less relevant to the

absolute diluent cost because you're recycling it, but diluent transportation cost, to get it from wherever your source is, back up. So these are the type of differences you're evaluating and they tend to be market. They're what's going on in the market, what are we assuming, and so on. On a project like this, we would do much like we do a lot of -- we look at a lot of sensitivities.

But what if we're wrong on this? What if something happens and rail rates are 30% higher? How does that affect the project? What if an incremental pipeline comes in and there's plenty of pipeline space?

So probably more than anything, this project as opposed to being a very deterministic evaluation, it's an evaluation that starts with a base case, then looks at a whole set of sensitivities around things that we can't control. They're market-based. So on that kind of thing, as I said, that's one we'll probably measure three times, cut once, look at it hard and then decide: is it something that we're ready to do? I hope that answered your question because as I said, there are a lot of inputs into a project like that.

Winfried Fruehauf: Winfried Fruehauf, W. Fruehauf Consulting Limited. I have two questions. The first one is, what percentage of Imperial's 2015 and first half of this year crude petroleum production was refined in Imperial's refineries?

Rich Kruger: Yes, okay. Fundamentally, we are a heavy oil producer and a light oil refiner. That's kind of who we are. That said, the vast majority of our share of Syncrude is very compatible with our Strathcona refinery. So if that's 70,000 barrels a day, for example, the bulk of it will head to Strathcona.

We also have some heavy oil capacity out East, in particular to make asphalt. And for those of you who are interested, a fun little fact, for every 3 kilometers of asphalt you travel on in Canada, you can count on one third of that or at least 1 of the 3 kilometers is Imperial asphalt. It's usually the smoothest, highest-performing section of the road. Not usually, it's always.

So if you take the Syncrude and then 20,000, 30,000 barrels a day, round numbers, of our heavy oil, that's about 100,000 barrels a day. Our equity production has been 350,000 to 400,000. So you might say 20% to 25%. I think that's the kind of numbers that we've said in the past.

But what we do, most importantly, in that, we don't look to necessarily match up molecules. The Upstreamers, they look to sell their equity production to the highest, highest bidder. The Downstreamers, they're just the opposite. They look to buy the cheapest crude they can that will fit within their refinery.

If that's a match, so be it. But if it's not, that's okay. That's how we look for each business to stand on its own two feet and to optimize their overall results. You have a second question?

Winfried Fruehauf: Yes, please. Regarding carbon policy and carbon pricing, whatever regime you expect to prevail, what is the estimated impact on Imperial?

Rich Kruger: Yes, let me step back on that a little bit. There's no question that rising greenhouse gas emissions to the atmosphere are occurring. There's no question that the earth's overall temperature has been increasing, and the risk associated with that warrant action.

We believe that we're taking action. The kind of actions like the energy efficiency of our operation, looking at developing new technologies, we're installing cogen. We're doing a number of things to lessen or lower our environmental impact on it.

From a policy standpoint, we believe that a uniform and predictable cost of carbon applied economy-wide, and to the extent it could be applied on a global basis, is the best policy because we think then that technology innovation and free enterprise will determine the most efficient cost-effective ways to reduce emissions, and we believe that is a lot better than folks that sit in different offices deciding what's subsidized and where mandates occur.

So we also think that ought to be very transparent and have the lowest administrative cost possible. So it's the least burden it can be on taxpayers, so we're supportive of it.

Now the cost on it is difficult. What I can tell you we do is in our evaluations, if we're in a jurisdiction that has a program and it's defined, certainly we put that in the jurisdiction. But what we also assume, because of the long-term nature of our projects, we put and evaluate around sensitivities on cost of carbon in our economics.

It gets back to that same rigor and discipline about how we evaluate projects. And because of the long nature of them, our view is that carbon policies will increasingly affect the energy mix. And over time, there will be cost on carbon. So we put it into our evaluations. Now how who pays for that at the end of the day? Is it the consumer?

Quite frankly, at the end of the day, the consumer pays for everything. It comes back, or because otherwise companies, if they're disadvantaged, they don't do it and they don't invest in it. So we put it in our economics. We obviously pay in jurisdictions that we have carbon policies today, but from a going-forward standpoint, we don't think it will disadvantage any of our projects. Or if it does and we're in a jurisdiction where they've put carbon taxes, carbon policies that are borne on the company and don't pass through, well, what that means is those investments will be less competitive and they may not be made then.

You're on a very active topic right now, of course, for us and I think it gets back to some of the comments I made is, what I just paraphrased from a policy standpoint, we are quite active. You don't read about it in the newspaper and I don't give too many big speeches on it, but with policymakers, we are very, very active to help them understand our view of the global energy outlook, the importance of competitiveness, the capital and to ensure that Canada, provincially and federally, participates in that. Participates in not only the environmental challenge we face, but also participates in providing resources to the world given how blessed we are with resources in this country.

Yes, sir.

Fernando Valle: Rich, Fernando Valle from Citi. I just want to step back into Aspen and the Cold Lake expansion that you mentioned before. You talked about a breakeven around \$45 to \$50. And I assume embedded in that is the view on market access in future pipelines. So I wanted to understand what signal do you need from the rest of the industry. And ultimately, with the volatility in oil price as well, what signal do you need on oil price to feel confident in sanctioning that project late 2017, early 2018?

Rich Kruger: Yes, to give you just kind of a little bit of a view of the future, if we looked at where prices have been for the last couple of years, what you've seen are a lot of industry projects, the majority industry projects, either canceled or delayed. You've seen the completion of work that was underway. So there has been still a little bit of a growth in the Western Canadian crude supply, that will continue over the next year or thereabouts.

But for the most part, folks have been able to get production into pipe. The pipeline companies have done a good job of adding incremental capacity, incrementally rating their pipe. So it's been fairly balanced in a world that over the last two years, let's just arguably say kind of \$40-, \$45-barrel world. But you haven't seen a lot of the new plants.

Our view is, that chart you referred to says it's going to take something north of that, north of \$50 perhaps, \$50 - \$60, where you'll start to see the more competitive in situ projects getting back in the pipeline, if you will. And it'll take well north of that before you'll start to see mining expansions.

So our view is incremental market access is important to be sure that we get the full value for our products, but the extent of the additional market access is going to be very dependent on what the future world is.

That's why for us, again, we're getting all of our production today that we want to in pipe. We have this flywheel of the rail terminal. So for Aspen and Cold Lake, although the assumptions we make may affect the economics on it, we don't feel the need to wait on those decisions till the dust settles on expanded market

access. But that again is part of exactly why we chose to do the rail terminal about two years ago now, is we didn't want to be held hostage to things that were outside our control.

But I think, I want to be on record saying for Canada, obviously, for the long-term growth of our industry, just because prices have fallen in the last couple of years, that does not lessen the importance of expanded market access for the health and well-being of the industry, to get full value of current production and to provide avenues for future growth.

Fernando Valle: Great. And just to go into the technology aspect. Some of your competitors are talking about solvent completely ending the need for water in in situ production. I wanted to understand where you are so far with the solvent? I understand you can make a decision, but that technology is still probably being developed. Are you at a point where you're confident that, that has reached the commercial level or is there a significant upside still to be had in the pond?

Rich Kruger: Yes, just in simple terms, the in situ world, we all have fancy phrases and titles and names on the technologies. We'll call it LASER and we'll call it SA-SAGD, but there's really three dimensions that kind of make a difference. Is it a cyclic or a continuous process? Cold Lake, cyclic steam, steam floods. Is it high pressure or low pressure, in terms of what force you have to put it in the ground, what you're doing.

And then is it steam-based or solvent-based? And with those three dimensions, what we're looking to do for any given resource is to find the sweet spot. Is it a continuous process that's high or intermediate pressure and benefits from some additional solvent? So it's going through that array on a resource-by-resource basis that is what we're looking for.

From a SA-SAGD technology that Bart described, we've applied it in field pilots at Cold Lake. And by the way, Cold Lake, not only is it a wonderful large long-life asset, but it gives us the playground to try and test new technologies, which is a real advantage. So we can take the work in the lab, we can scale it in the lab, but until you get out there and actually drill wells and do some things, it's really hard to say. It has given us the opportunity to pilot SA-SAGD, where we're saying technically we are confident in its application for understanding when you put a given solvent in, what the response will be and how it'll perform.

Now the commercial test is really, okay it's what do we anticipate the price of oil is going to be, what's the cost and things. So it's technically validated. And now we're wrapping that together with the commercial components, cost, price, outlook and things, to see its commercial validity.

Other solvent technologies, Bart had the chart that showed greenhouse gas emissions and on the far right he showed something that, I think it was literally

titled Other Solvent-based Technologies. We are looking at things that further enhance not only the environmental performance, but further enhance the economic performance.

Now we intentionally called it Other because we don't want some folks to know exactly what we're looking at there. But I don't think we're done yet here in this space. There are further economic improvements that we believe are in the mill for us based on solvent-related technologies in that matrix that I described. Bart, Beverley, you guys are getting off easy, so far.

Bryan Pilsworth: Bryan Pilsworth with Foyston. Just two questions. The first one is just in terms of your hurdle rate for your projects. I'm sure you won't describe that number specifically, but has that changed in the past three years? And then the second thing is just in terms of buybacks as part of your capital allocation. Unlike some of your peers that have issued equity, IMO has been pretty good at actually reducing equity. I'm just wondering if you'd talk a little bit about the context for accelerating or reintroducing buybacks. You've taken a bit of a pause in the past few years.

Rich Kruger: Sure. Well, you guys are getting to know me. On the real specific questions where you want an exact number, you'll rarely get it. But I'd say it like this, and just I'm getting pretty close here.

What we look for, when we look at the fundamentals of the energy world that I described upfront and the project opportunities we have, I've said several times that our view is large-scale projects must be globally competitive. As we produce into a commodity market, there is market dislocations on prices because of transportation and things, but it has to be globally competitive because folks aren't going to want to loan you the capital or you wouldn't invest the capital if it were not and you won't deliver the kinds of returns we think our shareholders have come to expect.

So what that means, we're looking now at our in situ opportunity. And the mission that Bart and his team have is I want to see double-digit returns in a \$50-a-barrel world. That also ties with that chart we showed of the range of where we think the in situ and the mining, where it can compete. Is that a prediction on \$50 a barrel? No. Is that telling you 10% or above is a hurdle rate? No, but we'll look at the economic attractiveness, we'll look at the regulatory uncertainties, we'll look at the cost environment, our confidence in executing a project for a given cost. We'll put all that together. And I have in my mind maybe if I've got something that with all the confidences I look for around the things we can control, if we can develop a double-digit return in a \$50-a-barrel world, I believe now we're on the dance floor of competitiveness. So that's what we're striving for.

Now they also know don't stop there. I want it as strong, as robust as we can. And we joke a bit sometimes, I want the decision to be as easy as possible. So give me the highest-return opportunity you can relative to risk and uncertainty possible. And there again, that's where that interplay with technology and working with our contractors comes in. We're not stopping when we meet a minimum. We want to make it as good as it possibly can be.

Now on your second question, shareholder distributions. Broadly, the combination of dividend and the share buybacks. We had a long history of buybacks. I've talked about more than 50% in the last 20 years. I also can do the math. I also know those 20 years are getting eaten into, because it was 2008 or thereabout, where we suspended that as we went into our growth period. So I'm not going to be able to make that comment forever unless we start doing something again, but we will look at that shareholder distribution. And we believe it's important to our shareholders, the returning cash, I've shared the payout ratio, we've shared the dividend and the buybacks. Now we are still in the evaluation with the money coming in on the retail sale.

We're looking at our business plan with the capital spending that I shared. We're looking at over a range of prices and we are literally going through the thought process on what's the optimal on that.

What I'll come back to again is despite going through that six-, seven-year period of investing, on average more than \$5 billion a year, we did not dilute our shareholders by issuing shares to fund that. We got attractive, low-cost financing, and we did it that way.

You take all that together, the last seven or eight charts in our deck here and that, in composite, illustrates how we look at the shareholder. We hope we understand, of course, they're not all equal, but what they value, what they look for in us, in our actions, are all geared toward delivering the superior shareholder return that we think the folks who are committed to Imperial Oil over time value.

And so there's no one answer to any one of those components. It's we look at it overall, and as I said, I think the last seven or eight charts kind of illustrate what we strive to achieve.

Any others?

Martin Toner: Martin Toner from Barometer Capital. You talked about Aspen and SA-SAGD. Can you communicate some timelines for decisions and commercialization for SA-SAGD at Cold Lake?

Rich Kruger: Yes, let me start on Aspen. We submitted the regulatory application in 2013, late 2013 for SAGD. We were working on SA-SAGD at the time, but we weren't technically to the point where we were confident on it being

the basis for the application to the Alberta Energy Regulator. We were confident enough to flag with the regulator, "Hey, we're working on something here that's solvent-based. We may come back and amend our application." And that's exactly what we did. We wanted the regulator's eyes wide open to decide what they worked on, while we came forward and finalized it.

So with Cold Lake Expansion, we were far enough along that the initial application was based on SA-SAGD technology. And so now, it's in that regulatory process. We're told that the regulator isn't as busy as they were a couple years ago. They don't have quite as many applications on their desk, so it gets priority time. We work and engage with the regulator as we go along.

We're anticipating a decision and approval on Aspen sometime in the first half of 2017 from the regulator. So then if you take the Cold Lake application and you fast forward that, what might that be? I'm getting out there little ways, but that may be a fully reviewed and approved regulatory application, maybe 2018. Is that about what we're thinking, Bart, somewhere in that?

And so then coupled with our own engineering, technical work, cost work, it'll be somewhere thereafter that we'll look at, "Okay. Are we ready to make a decision on that?" But the decision, I think will be ready on Aspen in 2017 with approvals in hand. We can look at what it looks like in Cold Lake Expansion. Although it was submitted more than a year after Aspen, it was submitted without the need for an amendment. My guess is you add another year or so onto that, and that's when it will be through the regulatory review process.

Okay. Well, we'll wrap up with thanking you for your time, your attention, your interest today. We hope you found the material valuable. As Meredith said, we have lunch out here for anybody who would like to stay around. We will spread ourselves out a bit, so we'll be available if there are any other questions, or you wanted to continue any of the conversation. And again, thank you very much for being here today.