

**Imperial Oil Limited  
Q2 2025 Earnings Call  
Transcript**

**Friday August 1st, 2025**

*Disclaimer: Due to changes to the Competition Act, this archived information is provided solely for historical information and reference purposes. This information does not constitute an active representation of Imperial. Imperial fully disclaims any liability for the use of such information, and undertakes no obligation to update such information except as required by applicable law.*

**Conference Title: Imperial Oil 2Q25 Earnings Call**

**Date: Friday, 1st August 2025**

**Operator:** Good day, and welcome to the Imperial Oil Second Quarter 2025 earnings call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Peter Shaw, Vice President of Investor Relations. Please go ahead.

**Peter Shaw:** Good morning, everyone, and welcome to our second quarter earnings conference call. I am joined this morning by Imperial's senior management team, including John Whelan, Chairman, President, and CEO. Dan Lyons, Senior Vice President, Finance and Administration, Cheryl Gomez-Smith, Senior Vice President of the Upstream. And Scott Maloney, Vice President of the Downstream.

Today's comments include reference to non-GAAP financial measures. The definitions and reconciliations of these measures can be found in attachment six of our most recent press release and are available on our website with the link to this conference call. Today's comments may contain forward-looking information. Any forward-looking information is not a guarantee of future performance and actual future performance, and operating results can vary materially depending on the number of factors and assumptions.

Forward-looking information and the risk factors and assumptions are described in further detail on our second quarter earnings release that we issued this morning, as well as our most recent Form 10-K. All these documents are available on SEDAR+, EDGAR, and our website. So I'd ask you to reference those.

John is going to start with some opening comments and then hand it over to Dan, who's going to provide a financial update. And then John will provide an operations update. And once that's done, we will follow with a Q&A session.

So with that, I will turn it over to John for his opening remarks.

**John Whelan:** Thank you, Peter. Good morning, everybody, and welcome to our second quarter earnings call.

I hope everyone is doing well.

I'm really pleased to kick off my first earnings call with strong results for the second quarter. We generated cash flow from operations of nearly \$1.5 billion and ended the quarter with approximately \$2.4 billion of cash on hand and we achieved these results while successfully completing significant planned turnaround activity across our integrated portfolio.

At the macro level, our upstream price realizations continued to benefit from improved egress in Western Canada. While in the downstream, margins were supported by higher crack spreads since the last quarter. Our resilient business model and strong financial position have allowed us to remain focused on delivering safe, reliable operations while executing on our business plans and strategy despite significant market volatility.

I also want to highlight some major project milestones we achieved in the quarter. At Kearl, we completed work that doubles the turnaround interval at one of our two trains. The next turnaround of the K2 train is now scheduled for 2029. At Cold Lake, we finished construction of the new SAGD redevelopment project at Leming and initiated steaming in the final days of the quarter, setting us up for first production late this year. At Strathcona, construction of the renewable diesel facility was completed, and I'm very pleased to share that first production of renewable diesel began in July.

When I think broadly about the outlook for future investment, I'm very encouraged by the constructive dialogue and level of engagement with the federal government and the work that is now ongoing to potentially support industry and major projects in Canada. It's still early, but initial conversations have been encouraging. And finally, our philosophy of returning surplus cash in a timely manner is unchanged. As such, I'm pleased to announce that we've chosen to accelerate share repurchases through our NCIB once again and plan to complete the program by year-end.

And on that note, I'll turn it over to Dan to discuss our financial results in more detail.

**Daniel Lyons:** Thanks, John. Starting with financial results for the second quarter, we recorded net income of \$949 million, down \$184 million from the second quarter of 2024, primarily driven by lower upstream realizations, partly offset by higher production volumes. When comparing sequentially, second quarter net income is down \$339 million from the first quarter of 2025, primarily driven by lower upstream realizations and downstream margin capture.

Now, shifting our attention to each business line and looking sequentially. Upstream earnings of \$664 million are down \$67 million from the first quarter, primarily due to lower realizations, partially offset by higher volumes. Downstream earnings of \$322 million are down \$262 million from first quarter, mainly reflecting lower margin capture. Our chemical business generated earnings of \$21 million, down \$10 million from the first quarter.

Moving on to cash flow. In the second quarter, we generated \$1,465 million in cash flows from operating activities. Excluding favorable working capital effects of \$52 million, cash flows from operating activities for the second quarter were \$1,413 million, down \$95 million from the second quarter of 2024, in line with earnings. As John mentioned, we ended the quarter in a strong position with about \$2.4 billion of cash on hand.

Shifting to Capex. Capital expenditures totaled \$473 million in the second quarter, \$11 million higher than the second quarter of 2024, primarily due to project timing. In the upstream, second quarter spending of \$353 million focused on sustaining capital of Kearl, Syncrude, and Cold Lake, and the downstream second quarter spending related primarily to our renewable diesel project at Strathcona.

Now, in terms of shareholder distributions, we paid \$367 million of dividends in the second quarter of 2025. On June 23rd, we announced the renewal of our normal course issuer bid, which allows us to purchase up to 5% of our outstanding common shares over the next 12 months. We started purchasing ratably in July, and as John noted, we plan to accelerate our purchases and complete the program prior to year-end, in line with our longstanding practice of returning surplus cash to shareholders. Lastly, this

morning we announced the third quarter dividend of \$0.72 per share, in line with our second quarter dividend.

Now, I'll turn it back to John to discuss our operational performance.

**John Whelan:** Thanks, Dan. Now, I want to take the next few minutes to share the key highlights from our operating results. Upstream production for the quarter averaged 427,000 oil equivalent barrels per day, up 9,000 barrels per day versus the first quarter and up 23,000 barrels per day versus the second quarter of 2024. This marks the highest second quarter production in over 30 years.

I am extremely pleased to see our asset teams deliver such strong results in the quarter that included turnaround activity at both Kearl and Cold Lake. For the first half of the year, we achieved the highest ever production from our heavy oil assets and are well positioned for a strong second half of the year.

Now moving to Kearl. Kearl set a second quarter production record, averaging 275,000 barrels per day gross, up 19,000 barrels per day versus the first quarter, and we beat our previous second quarter record by 20,000 barrels per day gross. This year's Kearl planned turnaround on the K2 train was a major success. The turnaround was completed safely and successfully in under 19 days. The team also completed work to enable a doubling of the turnaround interval. As we outlined at our Investor Day, turnaround optimization is one of the key components of our plan to increase production to 300,000 barrels per day.

Turning to costs. Kearl's unit cash costs in the quarter were \$18.86 US per barrel. We realized a decrease of nearly \$2 US per barrel compared to the first quarter, including the expense of our planned turnaround. When compared to the second quarter last year, we achieved a decrease of over \$3 US per barrel. The second quarter's performance contributed to our year-to-date unit cash costs of \$19.70 US per barrel, nearly \$2 per barrel lower versus the first half of 2024. With the turnaround behind us and our outlook for higher volumes in the second half of the year, we expect to make further progress on unit cash cost reductions.

Moving to Cold Lake. Cold Lake production averaged 145,000 barrels per day, including 23,000 barrels per day from Grand Rapids. Now this is down 9,000 barrels per day versus the first quarter of 2025, primarily driven by planned turnaround at Mahkeses, which was completed safely and well ahead of schedule.

Another highlight is reaching a key milestone at our Leming SAGD redevelopment project. The project started steam injection in June, with first oil expected late this year and ramping up in 2026. The Leming SAGD project is an excellent example of how we are maximizing value from our existing assets. This is a niche opportunity for us to develop additional resource at the original Cold Lake pilot location, with 9,000 barrels per day at peak production.

I also want to take a moment to provide a brief update on the EBRT pilot project at our Aspen Lease, which utilizes transformative new solvent technology that's designed to unlock low-cost, low emissions volume growth from our significant, high-quality, undeveloped, in-situ opportunities. We completed several key construction milestones this quarter and remain on track for an early 2027 startup.

And next, I want to quickly cover Syncrude. Imperial's share of Syncrude production for the quarter averaged 77,000 barrels per day, which was up 4,000 barrels per day versus the first quarter and up 11,000 barrels per day versus the second quarter of 2024. Syncrude continued to utilize the interconnect pipeline to import bitumen and gasoil to ensure high upgrader utilization, and this enabled an additional 8,000 barrels per day our share of Syncrude Sweet Premium production. In early September, I'll note that Syncrude will begin its 50-day coker turnaround with a forecasted annual impact of 6,000 barrels per day Imperial share.

And now moving to the downstream. We refined an average of 376,000 barrels per day, reflecting a utilization of 87%. This compares to 387,000 barrels per day a year ago, and 397,000 barrels per day in the first quarter. Lower throughput reflects higher unplanned downtime and the impacts from planned turnarounds at Strathcona and Nanticoke compared to our first quarter of 2025.

During the quarter, we completed construction and commissioning of the renewable diesel facility located at the Strathcona Refinery. And I'm very excited to announce the successful start-up and first production in July. As we've said before, we now plan to optimize production around supplier capabilities. This project, at its peak, generated close to 600 jobs and was completed safely while achieving industry-leading cost and schedule performance. The project provides a new, lower emissions offering to Canada's transportation sector and aligns with our long-term strategy of advancing responsible energy solutions while delivering strong returns.

This project combines many of our competitive advantages, including integration, proprietary technology, scale, advantaged logistics, and proximity to feedstocks and markets. And when you couple these advantages with the growing demand for renewable diesel in Canada, driven by layered provincial and federal regulations and increasing demand from customers to meet their own emissions reduction goals, we are confident in robust margin uplift as we ramp up in line with third-party hydrogen supplies.

I would just like to thank our planning, project, and operations teams that have worked extremely hard to get this project across the finish line. And I'd also like to thank the governments of Alberta and British Columbia, as well as Strathcona County, for all of their support.

Moving to petroleum product sales. Petroleum product sales in the quarter were 480,000 barrels per day, which is up 25,000 barrels per day versus the first quarter of 2025 and up to 10,000 barrels per day versus the second quarter of 2024, enabled by the Trans Mountain pipeline expansion.

Turning to chemicals. Earnings in the second quarter were \$21 million, down \$10 million versus the first quarter. And compared to the second quarter of 2024, earnings were down \$44 million, driven primarily by soft polyethylene margins and the aromatics reporting shift to our downstream segment, which occurred in the third quarter of 2024. Now, while we're at the bottom of the cycle, we see bottom of cycle conditions, and those have persisted, the business continues to contribute positively given strong operational performance and the integration with the Sarnia refinery.

So to wrap up, I'm very pleased with the quarter. We generated about \$1.5 billion of cash from operating activities while successfully executing on significant planned maintenance, and we set new second quarter production record in our upstream. Since my return to Imperial, it's been wonderful to reconnect with the organization and the initiatives across the business that will drive continued momentum and growth, specifically the disciplined development and deployment of technology to support the execution of our strategy, maximizing value from our existing assets and supporting our growth investment opportunities.

This quarter was a great example of the team finding ways to win, and winning starts with taking full advantage of our unique competitive advantages, advantages others do not have. During the quarter, it was fantastic to achieve a significant milestone in our downstream with the completion of the renewable diesel facility and first production just a couple of weeks ago. And at Cold Lake we completed, as I mentioned, the Leming SAGD project that begun steaming the reservoir. I'm looking forward to first oil late this year.

It was great to meet many of you at our Investor Day in mid-April, and I've really enjoyed connecting with more of you in recent meetings and conferences. And I'm very excited about the path forward for Imperial, and I'm looking forward to further engagement with you in the coming months. As I look ahead to the second quarter of the year, we've got momentum with significant turnaround work behind us, and we'll continue to focus on safe and reliable operating performance while progressing our growth initiatives.

As we announced this morning, we plan on accelerating share repurchases under the normal course issuer bid. I'm pleased to say that our strategy of responsibly increasing cash flow and delivering unmatched shareholder returns remains alive and well.

To wrap up, I'm extremely proud of what our team has delivered, and I want to recognize and thank them. And as always, I'd like to thank you for your continued interest and support. And with that, now we'll move to the Q&A session. I'll pass it back to Peter.



**Peter Shaw:** Thank you, John. As always, we'd appreciate it if you could limit yourself to one question plus a follow-up, so that we can get to as many questions as possible. So with that, operator, could you please open up the lines for questions?

**Operator:** Thank you. If you would like to signal with questions, please press Star One on your touchtone telephone. If you're joining us today using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is Star One if you would like to signal with questions. And our first question comes from Manav Gupta with UBS.

**Manav Gupta:** Good morning. My first question, it relates to the decision to accelerate the NCIB. Can you help us understand why this decision was taken? And in terms of cash balances, how confident are you that you can complete this entire NCIB without leveraging up but before year-end? Thank you.

**John Whelan:** Thank you, Manav. Good morning. Thank you for your question. We are very comfortable and confident. We've looked at – when we look at where commodity prices are, we look at how our business is performing. We look at the cash that we have on hand and our projections around free cash flow as we look forward. We are very comfortable in accelerating the NCIB and comfortable that we will do that without leveraging our balance sheet.

So we can do that with free cash flow. And this is very consistent for us. As you know, we've got strong appetite for returning for shareholder returns. We've got a track record of doing this. We've returned \$20 billion to shareholders since 2020. \$15 billion of that has been share buybacks and this is very consistent with us. And we're extremely confident we're going to do this from free cash flow.

**Manav Gupta:** Perfect. My follow-up is a little bit of a tricky question, but I'm going to ask it anyways. When we look at year-to-date relative outperformance, you have strongly outperformed your peers. You're an absolute and a relative winner. And what that does is sometimes people just want to come after you because they believe this cannot continue. I'm just trying to understand, in your opinion, why does the

management feel the setup is still very strong for an investment case for Imperial, where it could continue to work on an absolute and a relative basis as we move along, despite the very strong year-to-date outperformance?

**John Whelan:** Well, I think it comes back to our strategy to win and our competitive advantages. And our strategy is all about responsibly increasing cash flow and delivering unmatched industry-leading shareholder returns. And we think we have a very strong basis to do that, and we believe we've demonstrated that in our past performance. So continuing to focus on maximizing the value of our existing assets.

We talked about the improvements we're making at Kearn and Cold Lake, investing selectively in growth opportunities at those existing assets, Kearn, Cold Lake transformation, Strathcona renewable diesel, and then progressing future strategic growth. So if you think about our EBRT pilot and the growth opportunities that we have in our portfolio, we are very bullish about what that technology is going to deliver in the future and the asset base we have in terms of our heavy oil in-situ portfolio.

So I think our strategy to win is strong. We've continued to focus on that. I believe we have competitive advantages that when matched up against those assets that we have, take our unique competitive advantages around scale and integration, technology execution, and the best team in the business. When we take those competitive advantages against the advantaged assets, that leads to value creation in the future. And that's what comes back to us continuing to deliver unmatched industry-leading shareholder returns. So we are very confident that the performance we've had is on the basis of that strategy and the teams and the technologies and our competitive advantages, and we're going to continue to deliver that going forward.

**Manav Gupta:** Thank you for the detailed response. And just for the record, we completely agree with you. We believe the setup is very strong for your stock to continue to work. Thank you.

**John Whelan:** Thank you, Manav. Thanks for the questions and your confidence in us.

**Operator:** And the next question comes from Dennis Fong with CIBC World Markets.

**Dennis Fong:** Hi. Good morning. Thank you for taking my questions. And congratulations on a strong operational quarter despite planned maintenance. My first question goes a little bit into the technology side. You've been operating an autonomous fleet now for a little while, and I was hoping to dive into some of the insights that you might have gained from running and deploying this technology. Can you outline some of maybe the surprising benefits you've observed thus far with AHS deployment on your existing asset base?

**John Whelan:** Good morning, Dennis, and thank you for your question. When I think about the Autonomous Haul System, which has been a huge success, I'm very proud of what the team has done there. But it's part of a broader technology approach that we have. And I talked about our competitive advantages, and technology is the first one on the list that I mentioned. So for us, technology is the core to what we do. We're more than an oil and gas company. We're more than an energy company. We're really a technology company that's managing molecules.

So this Autonomous Haul System, for as successful as that's been, it's part of a broader approach around technology. And it's in our digital journey that we're on, the automation journey that we're on. We talked about EBRT, the technologies that we've applied. So it's part of a broader ecosystem and a way of working and part of our DNA.

Now, specifically, though, on the Autonomous Haul System, because it has been an amazing success and it's phenomenal when you go there and see these 80-plus trucks all working autonomously. And I would say, I don't know that there's been – we had high ambitions for it. We anticipated it would reduce our unit cash cost by about \$1 a barrel. It has done that.

And now I think – so I don't know that we were surprised by anything. I think it's worked well. And I think we see actually even further optimization of that because now we're going to look at ways to further optimize the fleet. We think we're still tuning the vehicles in an autonomous way. And then we have

other autonomous opportunities around robotic fueling of the trucks, robotic inspection of the vehicles. And we're considering other equipment in our fleet that we could automate. So I think if you think about the upside is we stepped into it with heavy haul trucks and there's more to go.

**Dennis Fong:** Great. Thanks, John. I really appreciate that color. My second question stays on Kearl and focuses a little bit on, I guess, unlocking the full potential of the equipment that you're using at site. I wanted to dive a little bit into hydrotransport lines and what you guys are doing there to improve, again, run time and maybe space between turnarounds. And if you wouldn't mind also touching on what also drives confidence in moving towards a four-year interval rather than the two-year interval.

**John Whelan:** Yeah. Thanks for that question, Dennis. I think if you think about where we're trying to get to with Kearn and moving it now, we're at \$280, and now we're going to look at getting it to \$300 and further lowering our unit cost to \$18 a barrel. Now, there's three legs to that stool that we're focused on right now. There's others that got us there in the past, but the ones we're focused on now is enhancing the recovery, improving the productivity and the reliability gains, leveraging technology again and then turnaround efficiency.

So those are the three areas. And enhancing recovery is enhancing the recovery in the mine and enhancing the recovery in the plant to get more bitumen out of the oil sands, basically. Improving the productivity is looking at every piece of kit that we have, our trucks, our shovels, our dozers, our hydrotransport lines. And improving the productivity and reliability of those. And we talked about the turnaround efficiency.

Specifically on the hydrotransport lines, some of the things we've done with that is we've interconnected our crushers to allow for flexibility. We have enhanced the metallurgy of the lines to improve the life and the wear that we're seeing on the lines. And then we've upsized them as well so we can get more product through and that allows us when we do have downtime on one part of our equipment, we can run more through the hydrotransport lines. So it's a question of configuration and interconnection of our equipment.

It's the metallurgy we're using in the lines, and then it's the size of the lines and working on all of those three things. That's specifically what we've worked around on hydrotransport lines.

In terms of our confidence, you may have heard me talk about before. Our goal is to be the most responsible operator. Not just a responsible operator, but the most responsible operator. And that involves safety and environment. It involves reliability and our cost structure, all of those things. So when we think about what we're doing on the turnarounds and the extension that we've had over time, reducing the duration, extending the intervals. That's one of the best examples I can point to about being the most responsible operator, because we do that in a way that will not in any way compromise safety, integrity, or reliability.

And we're getting those benefits through plowing our learnings back into our turnarounds, continuous improvement and learnings, not only from our operations but from our major shareholders operations. It's applying technology. It's applying new equipment and managing the wear of our assets and building in redundancy and then executing with higher efficiency and using things like abseilers versus scaffolding and so on. So we're doing all that and in no way compromising safety integrity of our assets.

**Dennis Fong:** Great. Thanks, John. I really appreciate that detailed answer. I'll turn it back. Thanks.

**John Whelan:** Thanks, Dennis.

**Operator:** And we'll take a question from Greg Pardy with RBC Capital Markets.

**Greg Pardy:** Yeah, thanks. Good morning. John, I was hoping maybe to dig into some of your opening remarks. I'm going to try and shoehorn three questions in here with Peter not noticing. But just with renewable diesel, I know you were talking about just optimization in terms of suppliers. So does that mean then that you will be likely producing more renewable diesel in the summer and fall versus the winter months? And then does that tie into fuel specs? Just curious as to how you'd be running that new unit.

**John Whelan:** Yeah. Thanks, Greg. I'll start and then I might ask Scott to chime in as well. But if you step back from it, it wasn't getting to seasonal aspects, really. First, let me say, extremely pleased with starting up this project. And obviously, the team is going through optimizing production right now. But the way we've looked at this project, there's three key parts to this.

It's one is at its core is the manufacturing facility that we built at the Strathcona Refinery. That's complete. It's up and it's running. And we're very pleased at the ramp-up and how that's gone. It's, I would say, exceeding expectations, if anything. The other big component is the vegetable and agricultural oil feedstock that needs to come in to feed the project. And then the other part is the supply of hydrogen. So that when we talked about that, optimizing the inputs, it's around optimizing the feedstock that comes in and the supply of hydrogen to run the facility.

Now, I would tell you on the first one, around the vegetable and agricultural oil stocks, all those arrangements are in place, and the supply is in place, and we're very comfortable with that. And then on the hydrogen, we have sufficient gray hydrogen to start up and to operate the facility. But the availability of further hydrogen supplies and blue hydrogen will impact the speed and the ramp-up of the asset. So what we were really referring to there is the ramp-up as the hydrogen supplies, the availability of hydrogen supplies, and how that comes into the market. That's what we were referring to.

And I'll just flip over to Scott if you have anything further to add on that, Scott.

**Scott Maloney:** Yeah, yeah. Thanks, John. Just one additional point for you, Greg. Your comment around when we'd like to operate the facility. We'll absolutely be operating this facility year-round. And in fact, we'll especially like to be operating in the winter months as we take advantage of the proprietary catalyst technology that we have as part of this project that enables a lower pour, lower cloud product that can be run and operational year-round. So we'll be blending this product into diesel products that we sell into the market year-round. And that's one of the advantages we have as part of this project.

**Greg Pardy:** Okay. Terrific. Two other, maybe just more or less, footnotes. John, did you say there was a little more unplanned downtime just in refining in 2Q? I'm just curious if there's any color around that. And then, are you still producing 4,000, 5,000 barrels a day of solvent at your new solvent-assisted project at Cold Lake? That's it for me. Thanks.

**John Whelan:** Yeah, I think you're right. We did say that we had a little higher unplanned and planned downtime in the downstream in the second quarter. The planned, the shutdown work went extremely well, basically ahead of schedule and lower on costs. So we're very pleased with that. We did have a little uptick in unplanned downtime in the quarter. Nothing significant. Nothing that concerns me. It's actually behind us now. So really, nothing specific there.

And then the question on the solvent, can you repeat that one?

**Greg Pardy:** Yeah. No. Are you still producing more or less – is the circa – I think you mentioned circa 23,000 coming out of the Grand Rapids. Is 4,000 to 5000 of that still solvent basically you're injecting?

**John Whelan:** No, 23,000 is bitumen. That's on a bitumen basis. So we're producing 23,000 barrels a day of bitumen from that project.

**Greg Pardy:** Okay. Understood. Thanks very much.

**John Whelan:** Thanks, Greg.

**Operator:** And we'll take a question from Menno Hulshof with TD Securities.

**Menno Hulshof:** Thanks and good morning, everyone. I just have one question on the CAPEX side of things. You were quite a bit lower in the quarter than we were modeling. What drove that? And given that you're trending below last year in the quarterly run rate implied in your full year guidance, what should we expect

the cadence of spending to look like in Q3 and Q4? And finally, is it possible that we see Imperial test the lower end of the guidance range of \$1.92 to \$2.1 billion?

**John Whelan:** Thanks, Menno. I'll make a few comments, and maybe I'll ask Dan to chime in as well. But what we're really seeing here it's just timing. It's really a timing effect on the capital. So at this stage, there is no change to our guidance in the \$1.9 to \$2.1, as you stated. We do expect spend to be modestly higher rate in '25 and '26, as you know as well. But it's just – from what you're seeing in '25, it's just a timing milestone, payments and things like that, and the time in which they hit. But right now, we're still consistent with our guidance. Anything else?

**Daniel Lyons:** Yeah. No, that's exactly right. It really is just timing. We're comfortable with our guidance. So we'll have a little bit more spend over the back half of the year.

**Menno Hulshof:** Terrific. Thank you. And I just thought of another one. Just on the EBRT side of things, just to dig a little deeper. What is the status of the three horizontal well pairs that you recently drilled? Are they already in the early stages of activation, and if not, what is the timeline that you're targeting?

**John Whelan:** Yeah. No, they're not yet. Menno, let's say, we've drilled them. That's part of the work we've been doing at site to get the site ready. So we've got the wells in place, but we still have the facilities, the surface facilities to build to allow us to be injecting the solvent. So the start-up of that is planned for early 2027, and that's when we'll start to inject solvent and a little bit of steam into those wells will be at that time.

**Menno Hulshof:** Terrific. Thank you.

**John Whelan:** Thanks, Menno.

**Operator:** And our next question will come from Patrick O'Rourke with ATB Capital Markets.



**Patrick O'Rourke:** Hey, guys. Good morning and thank you for taking my question. I guess the first question, you talked about refined product sales going up to 480,000 a day, here being enabled by the Trans Mountain expansion. If you could maybe unpack that a little bit more. And then I'd be curious to know, from a margin perspective, what the impact here would be on the margins at the refinery level from that?

**John Whelan:** Yeah. I'll start. Thank you for your question, Patrick. And I'll kick off, and I'll again, probably ask Scott to chime in a little bit. So if you look at that, what we were referring to there, we're always working to enhance our downstream market position and our ability to efficiently supply customers. We did pick up some additional refined product supply flexibility with Trans Mountain. And we did take advantage of that in the second quarter. So overall, our sales, though, are dictated by demand, and we've seen steady demand in Canada year-over-year on all the products, basically, that we are supplying.

So we're seeing that steady demand, we picked up a little extra space on Trans Mountain, which we took advantage of in the quarter. And that was a mix of local sales and profitable export opportunities. So it's all about efficient logistics and having the flexibility and the market expertise to take advantage of the demand when it's there. And that's exactly what we did in the quarter. And I'll just ask Scott if he wants to chime in a little more.

**Scott Maloney:** Sure. Yeah, I'd just add to that that our primary route to market is the manufactured products that our refineries move through our proprietary midstream logistics systems to supply primarily domestic demand across the Canadian marketplace. And so the comment there was just reflecting the fact that as we see opportunities with some spot space available on that Trans Mountain expansion pipeline, we always consider utilizing logistics that are out there to move product to different markets to take advantage of demand and uplift potential. And so that's really what that comment referred to.

**Patrick O'Rourke:** And back to the second part, is there a margin enhancement there, or is it just purely volumetric?

**Scott Maloney:** Yeah. So all of our movements are meant to generate margins. So all that's a positive return for us. But as I mentioned before, we're primarily placing our sales into the domestic market, and that's where we see the higher uplift.

**Patrick O'Rourke:** Okay. And then just going – you touched on Kearn a little bit here. I think that the results there were a bit ahead of where we had modeled in the quarter. And based on what I can tell from consensus, I think it was about ahead of most of my peers. So if you – I know you guys like to talk about days with production above 300,000. If you were to break down the outperformance relative to last year in the quarter, and you were to take a look at it and say, okay, this is what we could attribute to better turnaround efficiency, and this is what we can attribute to days above 300 or high output days. How would you break that down? And then what does that imply for the back half of the year in the 285 midpoint of guide?

**John Whelan:** I'll make a couple of comments, and I'll ask Cheryl to chime in. But I think in the second quarter, the turnaround went a little better than planned. So that did contribute somewhat to it, but also we've had better, just general better reliability and recovery that we've seen in the asset in the second quarter, which is encouraging. We're still sticking to our guidance. We're not looking to change that right now. But we had a little lower unplanned downtime than we put into our outlook in the second quarter. A little better recovery. The turnaround was a little better as well. The combination of those things did end up with a little better second quarter, which we're very pleased to see, obviously. But generally, our guidance remains unchanged. But maybe you want to add a little extra color to that, Cheryl.

**Cheryl Gomez-Smith:** Sure. And I'll jump in here. So as John mentioned, we had exceptional performance in May through June. Some of our strongest production months. And maybe what I'll share is we did see improved ore grade during that time frame and increased material movement that was enabled by our AHS truck productivity. And then during the turnaround, we did upsize or debottleneck or hydrotransport lines, which is giving us additional throughput. And then, as John mentioned, the shorter duration turnarounds.

Now, specific to your question about the days above 300. Year-to-date, we're tracking about where we were last year. So we're halfway through the game, half time here. So still quite a bit of work to be done for the rest of the year. But we've seen from that first half, really good progress with the turnaround behind us. Continue to look forward to a strong third quarter and fourth quarter.

**Patrick O'Rourke:** Okay. Thank you very much.

**Operator:** And the next question will come from Doug Leggate with Wolfe Research.

**Doug Leggate:** Hi. Good morning, everyone. Thanks for taking my questions. John, I wonder if early in the call, I think you were asked about the investment case and the accelerated NCIB and all that good stuff. I wanted to ask you the question a little differently, but in a selfish way, if you like, in what we think drives market recognition of value for your stock, which is dividend growth. So my question is that you have the lowest dividend breakeven still in the industry, not just in Canada, but your dividend growth could go a lot higher if you like, or a lot – your absolute dividend could go a lot higher without having to rely on the buy backs to manage the burden because your breakeven is so low. So my question is, why not? That's my first one.

My follow-up is related. It's probably for Dan. Is there a target or an ideal level of leverage for the capital structure of the balance sheet that you would think of as a normal level of leverage, as opposed to one that's benefited from several years of windfall oil prices? I'll leave it there. Thanks.

**John Whelan:** Thank you, Doug. Well, again, step back a little bit from this, and then Dan can chime in as well. As you know, you know well, we take a very disciplined approach to capital allocation. There's no change in that philosophy. And to your point, we do prioritize a reliable and growing dividend. That is our first priority in terms of returning cash to our shareholders. And of course, in doing that, we have, as you know, over that five-year period that I talked about, the \$20 billion we've returned, \$5 billion of that was dividends.

And we've had a reliable and growing dividend for over 30 years now, and we had a 23% annual growth rate over the last five years. So it is still our first priority in terms of returning cash to shareholders. But we're also comfortable with the mix here in terms of the dividends versus share buybacks. And as we've talked to investors, the approach we've taken on share buybacks continues to get very positive feedback. But number one, on that list, after our free cash flow and we take care of our investments, it remains the dividend.

**Daniel Lyons:** Yeah. And maybe, just to add to that. I mean, we see, as you alluded to, Doug, the share buyback and the dividend growth is complementary. Obviously, the share buyback reduces the absolute level of the dividend. And as John pointed out, we've had a pretty strong growth in the dividend. And that's our target, and we want to keep that. We want it to be reliable and sustainable but clearly growing at a strong rate. That's certainly – we'll see where the markets go. But that's how we've looked at it. That hasn't changed.

Now, with regard to the leverage question, we've been at \$4 billion of gross debt for some time. And we've said we're comfortable with that level. Now, if you're looking at net debt, it'll vary. Obviously, we grow when we're not doing buybacks, we're out of the NCIB market because we've exhausted it. You'll tend to see the cash go up. And so net debt goes down. But then when you kick into the NCIB, the cash comes back down. So we're not really focused on the net debt. That's a little bit of noise in the system. We like our overall debt level.

And as John said, reliable and growing dividend and surplus cash, where we remain – our philosophy remains to return that to the shareholders in a timely manner. And that's reflected in our – certainly our NCIBs and the acceleration of the NCIB. And in the past, depending on the market conditions, SIBs as well.

**Doug Leggate:** Well, gents, I'll keep pounding on the topic, but I appreciate you taking my questions. Thanks.

**John Whelan:** Thank you, Doug.

**Operator:** And the next question will come from Lydia Gould with Goldman Sachs.

**Lydia Gould:** Hi, team. Thanks so much for taking my question. I just wanted to dive more into the SAGD projects queued up at Cold Lake. Could you talk a bit more about these opportunities and remind us of the timing and the next steps to get these online? And maybe as a follow-up, talk about how this technology gives you a competitive advantage relative to peers.

**John Whelan:** Thank you, Lydia. I'll start again. I may ask Cheryl to chime in on that. But well, number one, I think it does give us a significant competitive advantage. Obviously, many are using SAGD, but what we're generally applying at Cold Lake as we transform the asset with new technology SA-SAGD, which is a solvent-assisted SAGD. That's what we're applying at Grand Rapids and what we're seeing great success with at Grand Rapids. And we have other solvent-related technologies that we plan to apply at Cold Lake in the future.

We talked about the Leming one. That is SAGD. That's not solvent-assisted. That's a very unique niche opportunity we saw. It's quite amazing. This is the pilot location at Cold Lake that started in 1975, so 50 years ago. We're going back to that pilot location. We're applying SAGD, which is a technology that Imperial invented, but others are using today. And we're applying that there to produce the remaining resource in that location. So we have SA-SAGD at Grand Rapids today producing above our expectations. And that I think bodes well for the future. We have future pads to develop in that space.

And then the next up for us is Mahkeses SA-SAGD, which we're planning to start up in 2029 with a peak rate of 30,000 barrels a day. And the key with all of this is we're transforming the technology and the recovery that we're using at Cold Lake, which we've been doing for 50 years, and we continue to do that. And it's lowering the cost structure, and it's lowering the emissions of the production. And the beauty of Cold Lake is, as I mentioned, we've been at this for 50 years. We have decades of remaining inventory at Cold Lake in front of us. So really exciting what we're doing there. And I do think it is absolutely a competitive advantage. And I'll ask Cheryl if she wants to add anything more to that.

**Cheryl Gomez-Smith:** Yeah, maybe just a little bit more in terms of timing. As John mentioned, we're pleased with the results from Grand Rapids Phase 1. Our next three pads are currently in development, and we're going to be leveraging our existing plant capacity. And that'll offer significant inventories to sustain production at lower capital. And then John mentioned as well the Mahkeses SA-SAGD. What's unique about that is that will be our first commercial Clearwater SA-SAGD development. And that one we're expecting about 2029 start-up. At the end of the day, we're expecting about 30,000 peak from that Clearwater. So we're on track to about 50,000 from our 50,000 barrels per day of SA-SAGD production by that 2030 timeframe.

**Lydia Gould:** Thanks so much. I'll turn it back over.

**John Whelan:** Thank you, Lydia.

**Operator:** Thank you. And this concludes the question and answer session. I'll now turn the call back over to Peter Shaw for closing remarks.

**Peter Shaw:** Great. Thank you. And so on behalf of the management team, I'd like to thank you, everyone, for joining this morning. If there's any further questions, please reach out to the IR team, and we'll be happy to answer your questions. With that, thanks very much. And for those in Canada, enjoy the long weekend.

**Operator:** Thank you. This concludes today's conference. Thank you for your participation. You may now disconnect.

## Non-GAAP financial measures and other specified financial measures

Certain measures included in this document are not prescribed by U.S. Generally Accepted Accounting Principles (GAAP). These measures constitute "non-GAAP financial measures" under Securities and Exchange Commission Regulation G and Item 10(e) of Regulation S-K, and "specified financial measures" under National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure of the Canadian Securities Administrators.

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

## Cash flows from (used in) operating activities excluding working capital

Cash flows from (used in) operating activities excluding working capital is a non-GAAP financial measure that is the total cash flows from operating activities less the changes in operating assets and liabilities in the period. The most directly comparable financial measure that is disclosed in the financial statements is "Cash flows from (used in) operating activities" within the company's Consolidated statement of cash flows. Management believes it is useful for investors to consider these numbers in comparing the underlying performance of the company's business across periods when there are significant period-to-period differences in the amount of changes in working capital. Changes in working capital is equal to "Changes in operating assets and liabilities" as disclosed in the company's Consolidated statement of cash flows and in Attachment II of this document. This measure assesses the cash flows at an operating level, and as such, does not include proceeds from asset sales as defined in Cash flows from operating activities and asset sales in the Frequently Used Terms section of the company's annual Form 10-K.

## Reconciliation of cash flows from (used in) operating activities excluding working capital

millions of Canadian dollars	Second Quarter		Six Months	
	2025	2024	2025	2024
<b>From Imperial's Consolidated statement of cash flows</b>				
Cash flows from (used in) operating activities	1,465	1,629	2,992	2,705
Less changes in working capital				
Changes in operating assets and liabilities	52	121	(181)	(324)
<b>Cash flows from (used in) operating activities excl. working capital</b>	<b>1,413</b>	<b>1,508</b>	<b>3,173</b>	<b>3,029</b>

### Free cash flow

Free cash flow is a non-GAAP financial measure that is cash flows from operating activities less additions to property, plant and equipment and equity company investments plus proceeds from asset sales. The most directly comparable financial measure that is disclosed in the financial statements is "Cash flows from (used in) operating activities" within the company's Consolidated statement of cash flows. This measure is used to evaluate cash available for financing activities (including but not limited to dividends and share purchases) after investment in the business.

### Reconciliation of free cash flow

	Second Quarter		Six Months	
millions of Canadian dollars	2025	2024	2025	2024
<b>From Imperial's Consolidated statement of cash flows</b>				
Cash flows from (used in) operating activities	<b>1,465</b>	1,629	<b>2,992</b>	2,705
Cash flows from (used in) investing activities				
Additions to property, plant and equipment	<b>(471)</b>	(461)	<b>(869)</b>	(958)
Proceeds from asset sales	<b>2</b>	3	<b>13</b>	7
Additional investments	<b>(4)</b>	—	<b>(4)</b>	—
Loans to equity companies - net	<b>1</b>	2	<b>11</b>	14
<b>Free cash flow</b>	<b>993</b>	1,173	<b>2,143</b>	1,768

### Net income (loss) excluding identified items

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

### Reconciliation of net income (loss) excluding identified items

There were no identified items in the second quarter or year-to-date 2025 and 2024 periods.



### Cash operating costs (cash costs)

Cash operating costs is a non-GAAP financial measure that consists of total expenses, less purchases of crude oil and products, federal excise taxes and fuel charge, financing, and costs that are non-cash in nature, including depreciation and depletion, and non-service pension and postretirement benefit. The components of cash operating costs include "Production and manufacturing", "Selling and general" and "Exploration" from the company's Consolidated statement of income, and as disclosed in Attachment III of this document. The sum of these income statement lines serves as an indication of cash operating costs and does not reflect the total cash expenditures of the company. The most directly comparable financial measure that is disclosed in the financial statements is "Total expenses" within the company's Consolidated statement of income. This measure is useful for investors to understand the company's efforts to optimize cash through disciplined expense management.

### Reconciliation of cash operating costs

millions of Canadian dollars	Second Quarter		Six Months	
	2025	2024	2025	2024
<b>From Imperial's Consolidated statement of income</b>				
Total expenses	9,988	11,894	20,817	22,605
Less:				
Purchases of crude oil and products	7,215	8,856	14,971	16,562
Federal excise taxes and fuel charge	372	656	964	1,247
Depreciation and depletion	478	456	1,009	946
Non-service pension and postretirement benefit	6	1	11	2
Financing	2	14	—	26
<b>Cash operating costs</b>	<b>1,915</b>	<b>1,911</b>	<b>3,862</b>	<b>3,822</b>

### Components of cash operating costs

millions of Canadian dollars	Second Quarter		Six Months	
	2025	2024	2025	2024
<b>From Imperial's Consolidated statement of income</b>				
Production and manufacturing	1,664	1,689	3,350	3,353
Selling and general	251	221	510	467
Exploration	—	1	2	2
<b>Cash operating costs</b>	<b>1,915</b>	<b>1,911</b>	<b>3,862</b>	<b>3,822</b>

### Segment contributions to total cash operating costs

millions of Canadian dollars	Second Quarter		Six Months	
	2025	2024	2025	2024
Upstream	1,127	1,204	2,305	2,393
Downstream	641	606	1,272	1,189
Chemicals	82	71	155	150
Eliminations / Corporate and other	65	30	130	90
<b>Cash operating costs</b>	<b>1,915</b>	<b>1,911</b>	<b>3,862</b>	<b>3,822</b>

### Unit cash operating costs (unit cash costs)

Unit cash operating costs is a non-GAAP ratio. Unit cash operating costs (unit cash costs) is calculated by dividing cash operating costs by total gross oil-equivalent production, and is calculated for the Upstream segment, as well as the major Upstream assets. Cash operating costs is a non-GAAP financial measure and is disclosed and reconciled above. This measure is useful for investors to understand the expense management efforts of the company's major assets as a component of the overall Upstream segment. Unit cash operating cost, as used by management, does not directly align with the definition of "Average unit production costs" as set out by the U.S. Securities and Exchange Commission (SEC), and disclosed in the company's SEC Form 10-K.

### Components of unit cash operating costs

	Second Quarter							
	2025				2024			
	Upstream (a)	Kearl	Cold Lake	Syncrude	Upstream (a)	Kearl	Cold Lake	Syncrude
millions of Canadian dollars								
Production and manufacturing	1,127	465	272	329	1,203	499	262	400
Selling and general	—	—	—	—	—	—	—	—
Exploration	—	—	—	—	1	—	—	—
<b>Cash operating costs</b>	<b>1,127</b>	<b>465</b>	<b>272</b>	<b>329</b>	<b>1,204</b>	<b>499</b>	<b>262</b>	<b>400</b>
Gross oil-equivalent production (thousands of barrels per day)	427	195	145	77	404	181	147	66
<b>Unit cash operating cost (\$/oeb)</b>	<b>29.00</b>	<b>26.20</b>	<b>20.61</b>	<b>46.95</b>	<b>32.75</b>	<b>30.30</b>	<b>19.59</b>	<b>66.60</b>
USD converted at the quarterly average forex 2025 US\$0.72; 2024 US\$0.73	20.88	18.86	14.84	33.80	23.91	22.12	14.30	48.62

**Components of unit cash operating costs**

	Six Months							
	2025				2024			
	Upstream (a)	Kearl	Cold Lake	Syncrude	Upstream (a)	Kearl	Cold Lake	Syncrude
millions of Canadian dollars								
Production and manufacturing	<b>2,303</b>	<b>949</b>	<b>557</b>	<b>682</b>	2,391	997	571	742
Selling and general	—	—	—	—	—	—	—	—
Exploration	<b>2</b>	—	—	—	2	—	—	—
<b>Cash operating costs</b>	<b>2,305</b>	<b>949</b>	<b>557</b>	<b>682</b>	2,393	997	571	742
Gross oil-equivalent production (thousands of barrels per day)	<b>423</b>	<b>189</b>	<b>150</b>	<b>75</b>	413	189	144	70
<b>Unit cash operating cost (\$/oeb)</b>	<b>30.11</b>	<b>27.74</b>	<b>20.52</b>	<b>50.24</b>	31.84	28.98	21.79	58.24
USD converted at the YTD average forex 2025 US\$0.71; 2024 US\$0.74	<b>21.38</b>	<b>19.70</b>	<b>14.57</b>	<b>35.67</b>	23.56	21.45	16.12	43.10

(a) Upstream includes Imperial's share of Kearl, Cold Lake, Syncrude and other.