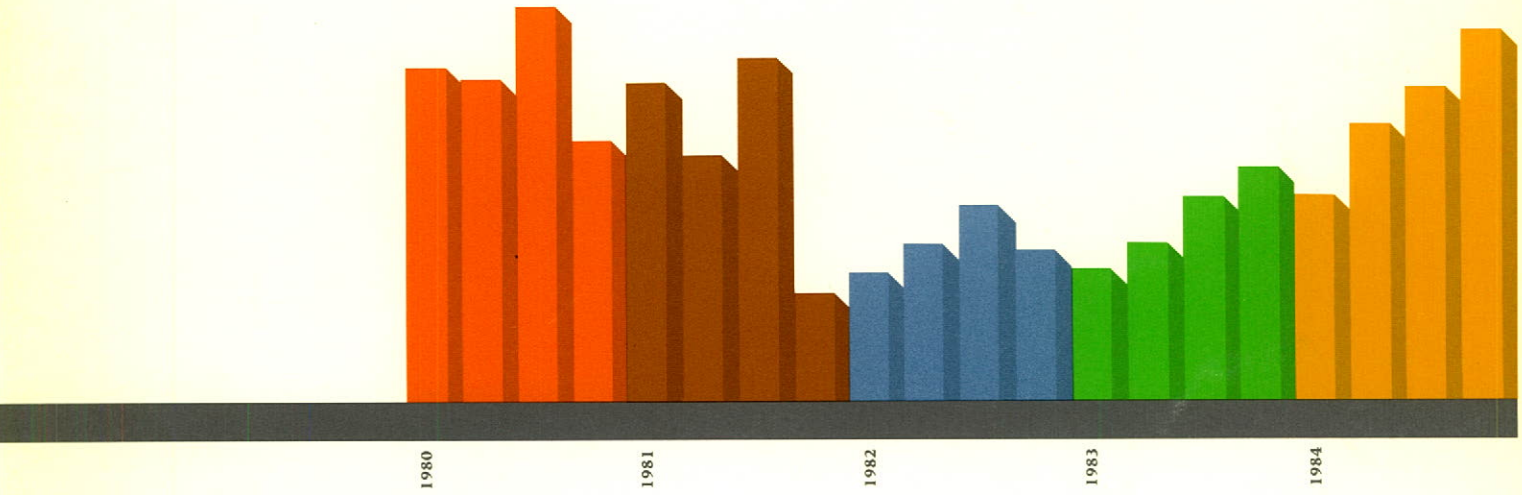
"Operate efficiently, respond to customer needs, stay at the leading edge of technology, retain financial strength, encourage new investments, foster employee initiative, understand the environment, communicate well and enjoy work"



Imperial Oil Limited is Canada's largest energy company and one of the country's largest industrial corporations. It manages most of its operations through three major segments.

Esso Resources Canada Limited, a wholly owned subsidiary, is a major producer of crude oil and a significant producer of natural gas and coal. Esso Petroleum Canada, a division of Imperial, operates five refineries coast to coast and has the largest share of the Canadian petroleum product market. Esso Chemical Canada, another division, manufactures and distributes a variety of fertilizers and petrochemicals.

Table of contents

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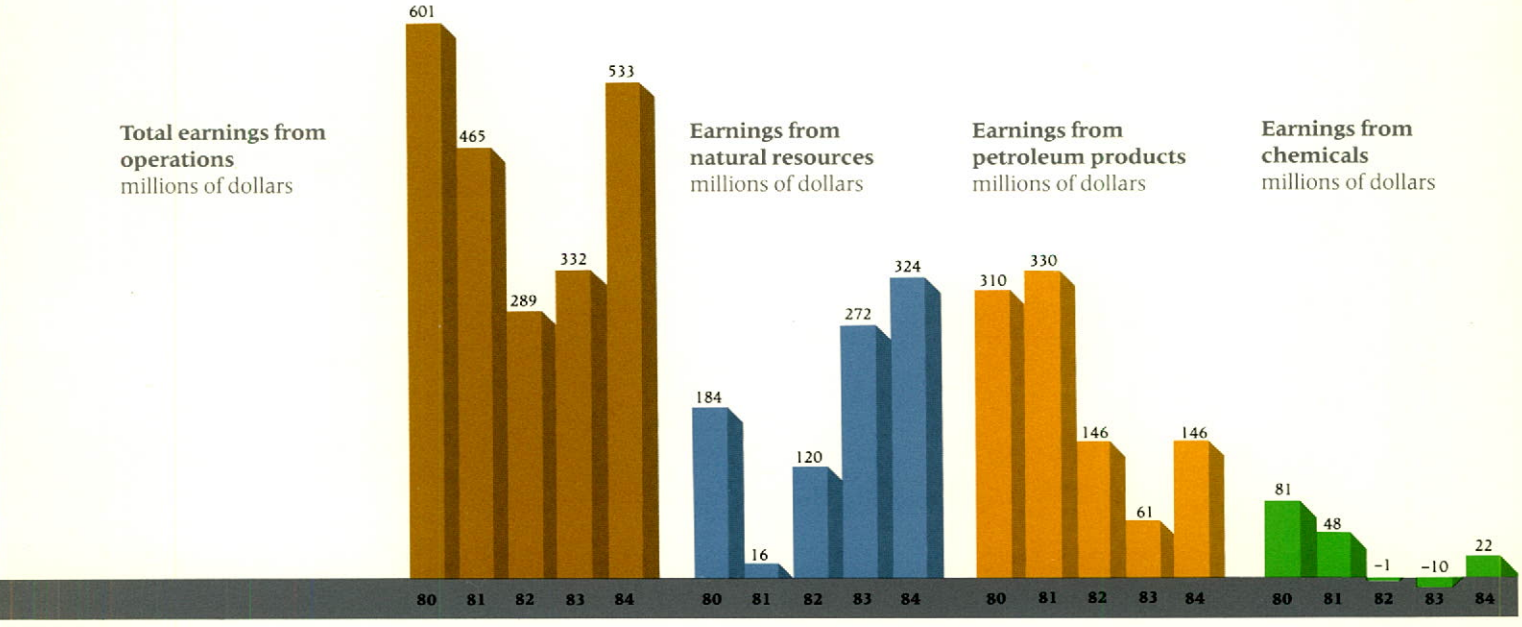
Financial highlights

	1982	1983	**1984**
			percentages
Return on			
Capital employed	5.2	5.3	**8.5**
Shareholders' equity	6.6	7.0	**12.1**
			millions of dollars
Earnings			
Earnings from operations	289	332	**533**
Net earnings	267	290	**533**
			millions of dollars
Capital and exploration expenditures	1134	699	**679**
			dollars
Per-share information			
Earnings from operations	1.84	2.09	**3.32**
Net earnings	1.70	1.83	**3.32**
Dividends	1.40	1.40	**1.45**

Total earnings from operations
millions of dollars



Earnings continue to grow, increasing 61 percent as all segments improve.

Earnings from natural resources
millions of dollars

Increased heavy-oil production leads natural resource earnings to record levels.

Earnings from petroleum products
millions of dollars

Better markets, greater efficiencies boost earnings.

Earnings from chemicals
millions of dollars

Improved fertilizer revenues return chemical operations to profitability.

Imperial Oil's management committee: Donald K. McIvor (seated), chairman of the board and chief executive officer; Arden R. Haynes (left), president and chief operating officer; and William J. Young, senior vice-president.

In the past few years, we have emphasized to you that we are managing the company on the basis of a plan that will serve your interests through achieving growth in earnings and a satisfactory return on invested capital. We have pointed out our intent to do this by balancing short-term performance with opportunities to promote growth and profitability in the longer term.

Financial and other results for 1984 confirmed that there had been strong progress in achieving the desired results. Operating earnings were $533 million, an increase of 61 percent over 1983. At 8.5 percent, the year's return on capital employed was a significant improvement over the 5.3 percent recorded in 1983, but was still only about a half of what shareholders and other stakeholders might reasonably expect it to be, given the size and nature of our invested capital. Even though we still have much progress to make in terms of a satisfactory profitability rate, we have confidence in our prospects, a confidence reflected in the fact that we increased the quarterly dividend in December, 1984 – the first time this has been done in five years.

The reasons for the strong 1984 earnings performance are given in other sections of this report.

A major consideration in assessing our future performance is the fact that our total crude-oil reserves have grown significantly since 1982, largely due to developments at Cold Lake and Judy Creek. During 1983 and 1984, we produced 13.2 million cubic metres (83 million barrels) of oil, but additions to proven reserves exceeded production by 47.3 million cubic metres (298 million barrels). These, plus the earlier addition of almost 25 million cubic metres (150 million barrels) of reserves at Norman Wells, will be the foundation for significantly growing oil production over the next several years. Expanding oil *and* natural-gas production will be the main sources of the company's growth, although petroleum products and chemicals will make large contributions.

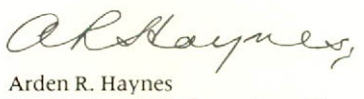
At the midpoint of the 1980s, we hope you share our confidence that Imperial is a very vital company with a lot to contribute to all its stakeholder groups – shareholders, employees, customers, governments and the community at large. Our current business is by and large in good condition. We have an excellent inventory of new investment opportunities. Canadian governments are now more business oriented

than they have been. Of course, we're vulnerable to raw material and product prices, and we're vulnerable to competition; but these are normal business risks that you expect us to be able to handle.

We've accumulated a lot of experience in forecasting, but in the past few years, economic and political forces have caused many of our forecasts to turn out to be very wide of the mark. However, in a positive sense this has served to underscore some principles concerning the management of a commercial enterprise that benefit the enterprise's stakeholders under nearly any circumstance – operate efficiently, respond to customer needs, stay at the leading edge of technology, retain financial strength, encourage new investments, foster employee initiative, understand the environment, communicate well and enjoy work. We're dedicated to these principles, and by practising them we hope to retain your confidence.

The single most important determinant of our progress is and will continue to be the calibre of our employees. Over time, the level and quality of investment opportunities vary, the difficulty of managing our business varies and public policy affecting our business ranges from damaging to supportive. But our success in handling these issues is totally dependent on the skills of our employees. During 1984, we continued to seek ways to allow our employees to be as effective as possible and, by so doing, to allow them to achieve their individual potentials to the greatest degree possible. These measures included adjusting organizational styles, removing self-inflicted impediments and irritants, adjusting the reward system to encourage excellence, and emphasizing communication to ensure a basis for understanding corporate and functional goals and thus a sense of common purpose. The 1984 results and the promise for the future indicate that Imperial's employees performed very well. We use this occasion to thank them on your behalf.

Donald K. McIvor
Chairman and chief executive officer



Arden R. Haynes
President and chief operating officer

Employee innovations produce major gains

The steps taken by Imperial's management to encourage individual innovation and enterprise throughout the organization met a ready response in 1984, as employees made important and measurable contributions to improved efficiency and cost savings.

Increased oil production

Employees at Esso Resources' Cold Lake heavy-oil operations made an all-out effort during the year to improve well scheduling between steaming and production cycles. This effort by both technical and operating personnel increased production by 200 cubic metres (1,260 barrels) a day and added $5 million to after-tax earnings in 1984.

At the Judy Creek oil field, a team that was formed to improve the efficiency of that facility's operation came up with about 80 proposals during 1984. The 35 that were implemented by the end of the year will increase annual revenues by $250 000 and reduce annual operating costs by $120 000. Implementation costs were $35 000.

A new process developed by two employees of Esso Resources' production department increased the recovery of propane gas from the Judy Creek plant from 72 percent to nearly 100 percent, providing an increase in revenue of close to $4 million a year.

Improvements in seismic techniques developed by the exploration department produced cost savings of more than $600 000, while a further $750 000-plus cost reduction resulted from changes in the processing of seismic data.

Refinery improvements

At Esso Petroleum's Sarnia refinery, employee-initiated savings in 1984 ranged from $60 000, realized through the use of larger boxcars for shipping products, to more than $2 million, resulting from improved computer applications to refinery operations. A team effort in steam conservation in the specialty product department at Sarnia saved more than $800 000.

At the Dartmouth refinery, employee-designed modifications to distillation processing equipment will save more than $1 million annually for an investment of $140 000.

Esso Petroleum employees in Montreal introduced a computer system during 1984 that allows them to give customers instant confirmation of product deliveries. In addition to providing better service, the system will save the company $2.5 million a year.

Outstanding plant performance

The outstanding performance of Esso Chemical's Redwater fertilizer plant during 1984 was directly attributable to employee participation. Designed and built in close consultation with employees, the new ammonia unit operated at a service factor in excess of 99 percent.

A series of employee brainstorming sessions at the Sarnia chemical plant produced more than 100 money-saving ideas, of which more than 40 had been implemented by the end of 1984 for savings of more than $1.5 million.

Employee initiative among Imperial's administrative and support services took many forms. For example, a private satellite-communication network that links major Imperial locations was the first of its kind in Canada and savings are expected to reach $1 million annually. In addition, an employee-developed computerized system for keeping track of 100 000 parts and materials throughout the company was licensed to another oil company for $250 000.

Corporate highlights

Operating earnings continue strong recovery

Imperial's operating earnings continued their strong recovery during 1984 to total $533 million, an increase of 61 percent over 1983. Earnings per share amounted to $3.32, compared with $2.09 in 1983. In 1984, the company achieved the best fourth-quarter results in its history.

All three major operating segments showed increases. At $324 million, natural resource earnings were up $52 million over 1983. Petroleum products recorded the largest increase, with earnings of $146 million—$85 million over the previous year. Chemical operations, after posting losses in 1982 and 1983, achieved a turnaround with earnings of $22 million.

Productivity adds $50 million to earnings

Imperial continues to pursue vigorous programs of cost efficiencies and productivity improvement. In 1984, those programs resulted in direct savings of about $50 million, or approximately 10 percent of the company's operating earnings. It was the third successive year in which efficiency measures have made a substantial contribution to earnings, and the company will continue to emphasize efficiency as a key management principle.

Imperial improves on excellent safety record

Employees have a high level of commitment to maintaining a safe and healthy working environment. During 1984, the result was a safety performance that placed virtually every operation in a leading position in its industry.

Esso Chemical recorded a significant improvement during the year. Its frequency of recordable injuries dropped to 0.9 per 200 000 employee-hours of work from 2.0 in 1983. Esso Petroleum improved upon its already impressive 1983 safety record. Its frequency of injuries dropped to 0.9 from 1.0 in 1983. Esso Resources also achieved a substantial improvement in 1984; its recordable injury rate dropped to 3.3 from 5.7 in 1983.

Proved oil reserves increase by 19 percent

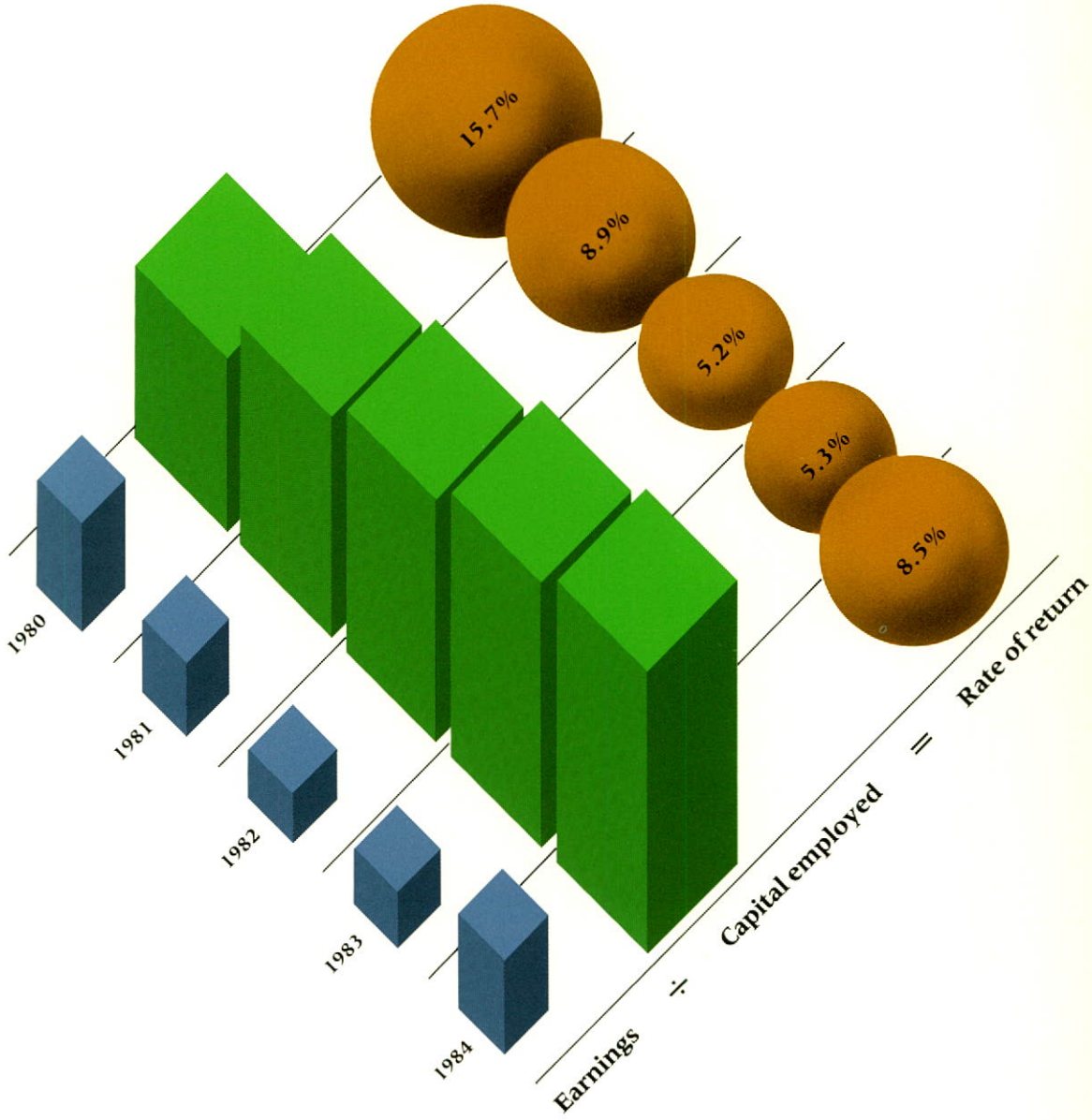
At the end of 1984, Imperial's net proved oil reserves amounted to 172 million cubic metres (1,084 million barrels), an increase of 19 percent over 1983. This was the second successive year that proved reserves showed a substantial increase.

At current rates of production, Imperial's net proved oil reserves represent 26 years of supply, an increase of four years over a year ago.

Expenditures focus on resource development

Most of Imperial's $679 million capital and exploration expenditures in 1984 went to resource development as excellent progress was made on two major projects. The oil-field expansion at Norman Wells was virtually complete by year-end, as were the first two phases of the Cold Lake production project.

Financial performance is more than the size of earnings



Many investors regard return on capital employed as an important measure of a company's performance. Like the interest rate on a bond, return on capital employed shows the *rate* at which a company's investments make money.

From 1980 to 1982, Imperial's rate of return fell from 16 percent to five percent. That was because earnings dropped by half, while capital employed continued to grow with new investments.

Earnings improved in 1983, but because there was a similar increase in investments the rate of return stayed at five percent.

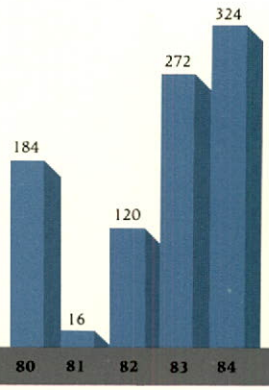
In 1984, earnings outpaced capital growth, but return on capital employed remained an unsatisfactory 8.5 percent.

Imperial's objective is to achieve a return on capital employed that is higher than its cost of financing. The outlook is encouraging: recent investments and new projects hold the prospect of better rates of return in the future.

Increase production from known reserves, identify and develop new opportunities, stress efficiency and innovation

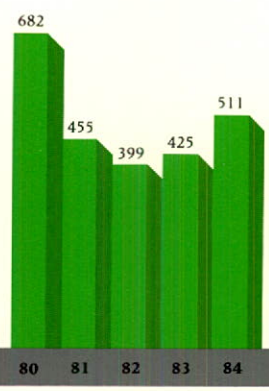
Esso Resources Canada Limited

Earnings from operations
millions of dollars



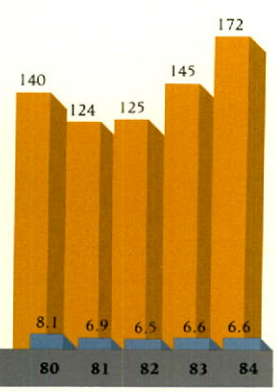
Cold Lake production makes major contribution to record earnings.

Capital and exploration expenditures
millions of dollars



High level of investment lays groundwork for increased production.

Net reserves and production of crude oil
millions of cubic metres



Net reserves of crude oil
Net production of crude oil

Crude-oil reserves increase for third consecutive year, now equal 26 years of current production.

Earnings improve, proved oil reserves up significantly

The principal accomplishments of Esso Resources in 1984 were a further improvement in earnings, a substantial increase in proved oil reserves for the second consecutive year, excellent progress on major projects and the initiation of new investments to increase future production, reserves and earnings.

Operating earnings increased from $272 million in 1983 to $324 million in 1984. The major contributors to this improvement were increased bitumen production from the company's Cold Lake pilot plants and investment credits associated with development of the Cold Lake production project.

The company's net production of conventional oil from western Canada declined during 1984, but increased production from the Cold Lake pilot plants resulted in the total net crude-oil production of 6.6 million cubic metres (41.6 million barrels) being very close to 1983 levels.

For the second year in succession, Esso Resources' net proved oil reserves showed a substantial increase, mainly as a result of continued development at Cold Lake and on other projects to increase production from existing fields. The total net reserves at the end of 1984 were 172 million cubic metres (1,084 million barrels), an increase of 19 percent over the previous year. Net proved reserves at Cold Lake now stand at 63 million cubic metres (397 million barrels), or 37 percent of the company's oil reserves.

Norman Wells expansion virtually complete, nears production

By the end of 1984, work on one of the company's largest investments ever – to expand production at the Norman Wells oil field in the Northwest Territories – was virtually completed and ahead of schedule. Production will be increased from about 500 cubic metres (3,000 barrels) a day to 4500 cubic metres (28,000 barrels) a day. Norman Wells crude oil will begin flowing to southern Canadian markets this spring on completion of an 870-kilometre (540-mile) pipeline being built by Interprovincial Pipe Line (NW) Limited.

The facilities at Norman Wells will be completed for less than $550 million, compared with a cost originally estimated at $800 million. The savings are attributable to lower-than-expected inflation, a competitive business environment and economies achieved during construction.

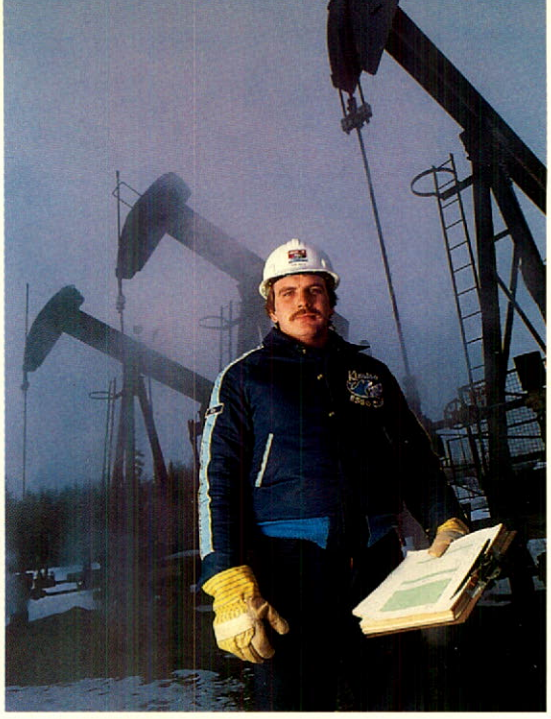
The production islands built in the Mackenzie River for this expansion project are designed to withstand large flows of river ice. There are six of them

	1982	1983	**1984**
Financial statistics			millions of dollars
Earnings	120	272	**324**
Revenues (1)	1484	1718	**1740**
Capital employed at Dec. 31	2066	2094	**2423**
Return on average capital employed (percent)	5.9	13.1	**14.3**
Operating statistics			thousands of m^3/d
Crude oil and natural-gas liquids (NGL)–net production			
Conventional	11.6	10.7	**10.6**
Syncrude	2.8	3.7	**3.3**
Cold Lake pilots	1.7	2.1	**2.7**
NGL	1.8	1.5	**1.5**
Total crude oil and NGL	17.9	18.0	**18.1**
			millions of m^3/d
Natural gas–net production	5.4	5.2	**4.8**

One cubic metre (m^3) is equal to approximately 6.3 barrels or 35.3 cubic feet.

(1) See note 1 to the audited financial statements.

1



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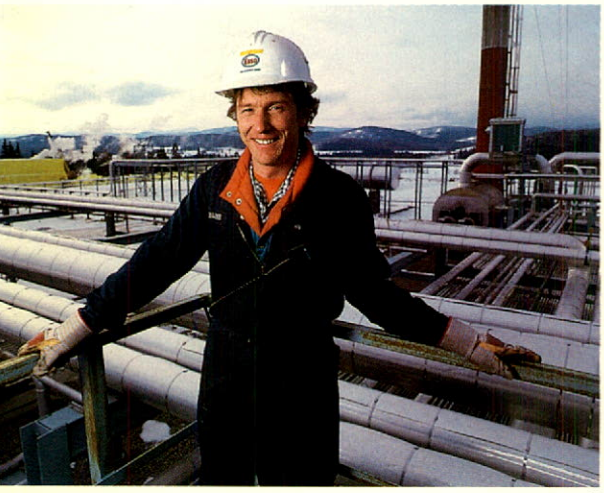


4

3

1	2	3	4
Terry Voss is a unit coordinator in Esso Resources' scouting department in Calgary.	Ken Mack is a field production operator at Cold Lake.	Robert Jost is a senior refinery operator at Norman Wells, where a major oil-field expansion is about to begin production.	Blaine Meili is an operator in the steam plant at the Quirk Creek gas plant south of Calgary.

and all were completed by last September. Of the 164 development wells initially required for the expansion, 152 were completed by year-end, with the remainder expected to be completed this spring. A central processing unit, assembled from modules transported from Edmonton by truck and barge, was completed in 1984.

The Norman Wells project continues to provide many business and employment opportunities for northern people. Forty-five percent of the project's employees have been northerners and, when the expansion is completed, 70 percent of operating personnel are expected to be northerners. Shehtah Drilling Limited, a joint venture of the Dene and Métis peoples and Esso Resources, has had the contract for much of the drilling in this project and will be able to apply the experience acquired at Norman Wells to future northern energy projects.

Cold Lake production project to start by midyear

At Esso Resources' heavy-oil project at Cold Lake, 300 kilometres (186 miles) northeast of Edmonton, the first two phases of commercial development neared completion in 1984, and substantial progress was made on the third and fourth phases. Early in 1985, the company announced plans for two further phases.

The concept of phased development at Cold Lake was conceived by employees when it became apparent that the earlier-planned megaproject might not proceed. With phased development, Esso Resources will be able to develop its heavy-oil leases at a manageable pace consistent with market conditions.

Work on the first two phases began in late 1983. By the end of 1984, 220 of the 240 wells initially required for the first two phases had been drilled and other work was well advanced. Construction is expected to be completed by this spring, with production beginning by midyear and reaching 3000 cubic metres (19,000 barrels) of bitumen a day. These first two phases are under budget and will cost about $200 million.

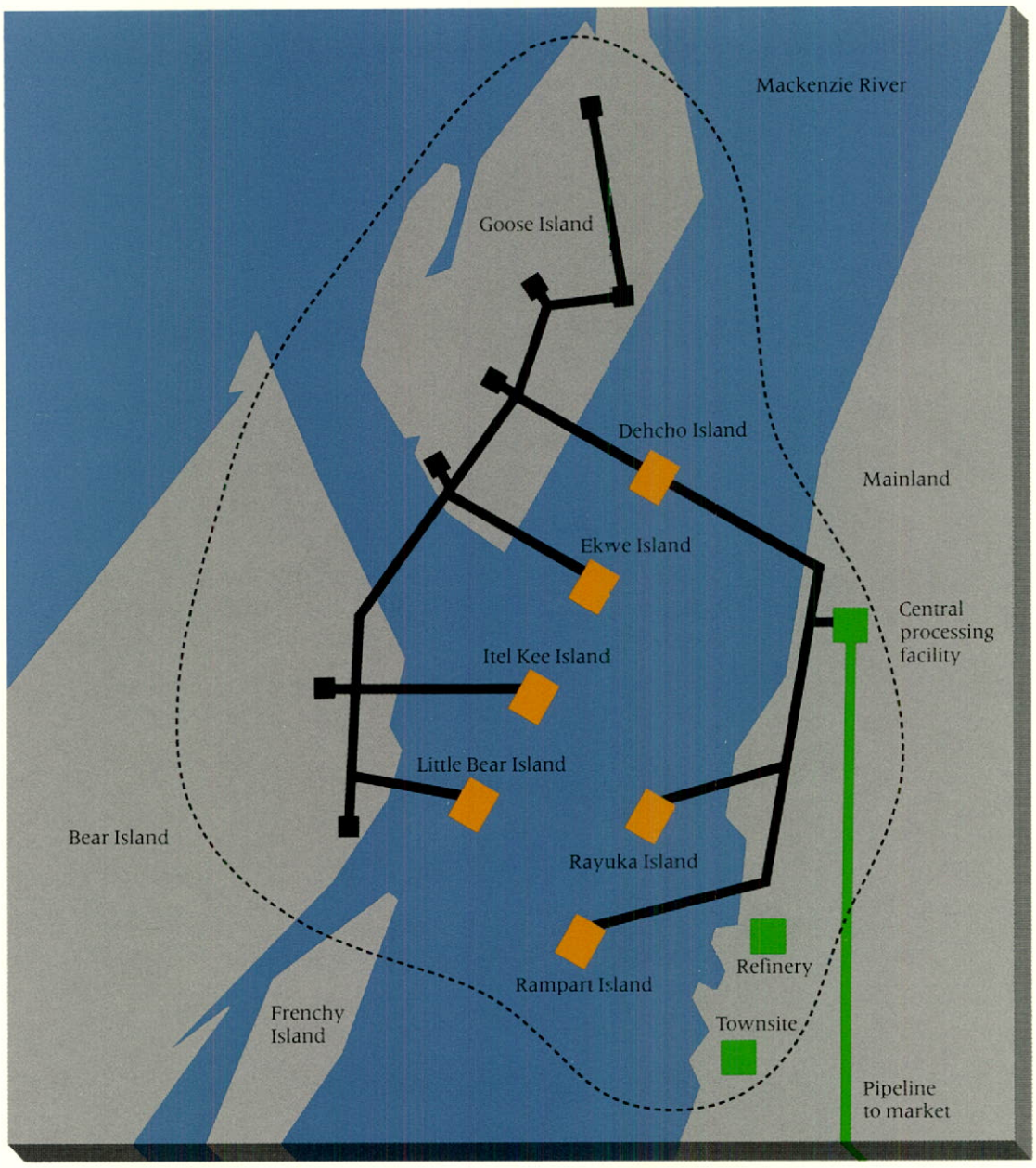
Following Alberta government approval, work on the third and fourth phases of the Cold Lake project began in September, 1984. They are expected to be in production by the end of 1985. Each two phases generate more than 500 jobs during construction and sustain approximately 80 permanent jobs once production begins. In addition, during construction each two phases create approximately 125 man-years of employment for companies supplying materials and services. So far, in this project, Esso Resources is well above its target of 60 percent Albertan content and 80 percent Canadian content.

Completion of the six phases will result in total Cold Lake production of some 12 000 cubic metres (75,000 barrels) a day of bitumen by 1987. By then, Esso Resources' capital investment at Cold Lake, including pilot projects, will exceed $800 million.

Syncrude production restored following fire

Full production was resumed at the Syncrude heavy-oil plant at Fort McMurray in northern Alberta in December, following a major fire on August 15 that halted production.

The fire, the most serious setback since the plant began operating in 1978, reduced Syncrude's 1984 gross production to 77 percent of the 1983 level.



Oil production at Norman Wells, which is located on the Mackenzie River in the Northwest Territories, is being substantially increased by developing a large part of the reservoir that lies directly under the river. Norman Wells is 1350 kilometres (840 miles) north of Edmonton and the Mackenzie River is about five kilometres (three miles) wide at this point.

More than 150 new wells have been drilled on two natural islands, Bear and Goose, on the mainland and on six islands built for the project. These were named by local students: Rayuka (Northern Lights), Dehcho (Great River), Ekwe (Caribou), Itel Kee (Island on Top of the Oil), Rampart and Little Bear.

Oil produced from the land-based and island wells moves through a network of buried pipelines to a central processing facility and thence by pipeline to southern markets.

Nonetheless, the owners of Syncrude have a great deal of confidence in the plant's reliability and are currently considering a major capital investment program to increase its productive capacity and efficiency. Esso Resources' ownership share in Syncrude is 25 percent.

Major drilling program sustained in western Canada

The company devoted considerable effort throughout 1984 to maintaining production from existing oil fields in western Canada. It drilled about 180 development wells in existing fields in western provinces and participated with other operators in drilling a further 180. Approximately 145 of these development wells were drilled in Saskatchewan, primarily in the Eagle Lake field about 200 kilometres (125 miles) southwest of Saskatoon.

Esso Resources is encouraged by the success of its 1984 program of development drilling, which cost about $50 million, and plans to continue it at the same level in 1985.

In addition, Esso Resources spent $48 million in 1984 exploring for conventional oil and gas in Canada. The company drilled or participated in the drilling of 34 wells, resulting in 17 oil completions and four gas completions. A further 36 exploratory and 135 development wells were drilled by others on leases where Esso Resources retains an overriding royalty.

Enhanced oil recovery projects under way

Most of the larger oil fields in western Canada have been in production for several decades, and the amount of oil that can be recovered through conventional means is declining. In some cases, however, significant additional oil can be produced by using various methods of enhanced recovery.

Esso Resources started work in 1984 on an enhanced oil recovery program at the Judy Creek field northwest of Edmonton, which has been in production since 1959. The company estimates that an additional eight million cubic metres (50 million barrels) of oil can be recovered from the 'A' pool. The cost of the required facilities is about $100 million, and operations are expected to begin in the summer of 1985.

Esso Resources continues to evaluate similar opportunities. Among them is the Redwater field near Edmonton, where late in 1984 the company embarked on an experimental evaluation of the potential for enhanced recovery from the D-3 pool. Esso Resources also participated in 1984 in a development drilling and enhanced recovery program at the Mitsue field, 320 kilometres (200 miles) north of Edmonton, in which the company has a 27 percent interest.

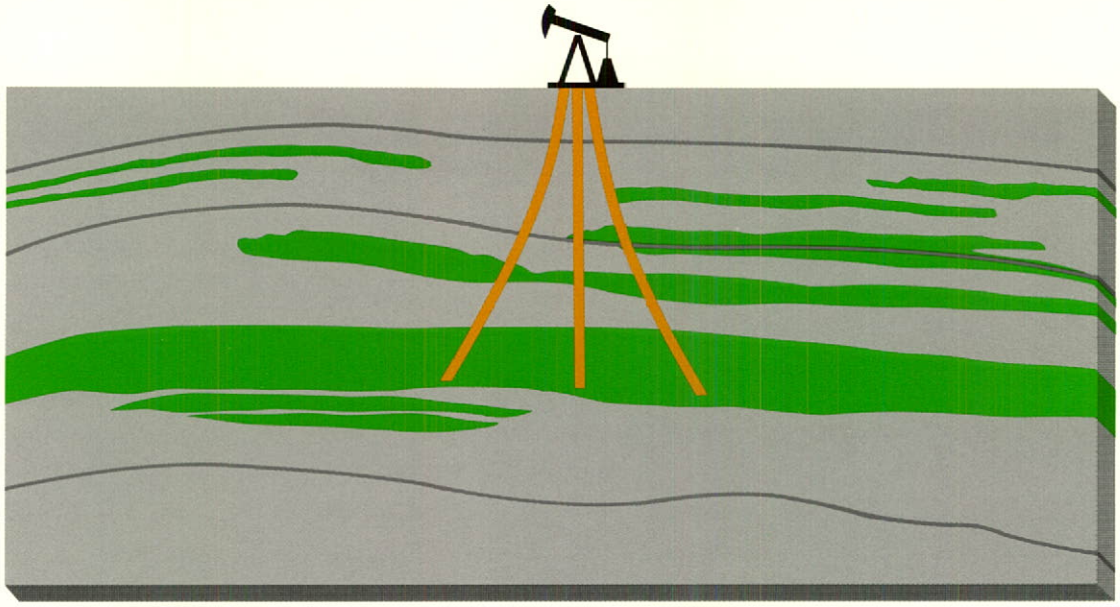
Old Leduc oil field to yield new gas

Meanwhile, the life of the old field at Leduc, south of Edmonton, will be extended in a different way. Discovered by Imperial in 1947, the field is fast approaching the end of its oil-producing life. However, the reservoir still contains substantial recoverable gas reserves, of which Esso Resources' share is approximately five billion cubic metres (180 billion cubic feet). Work on a project to recover this gas started in the fall of 1984. Production will begin in the third quarter of 1985.

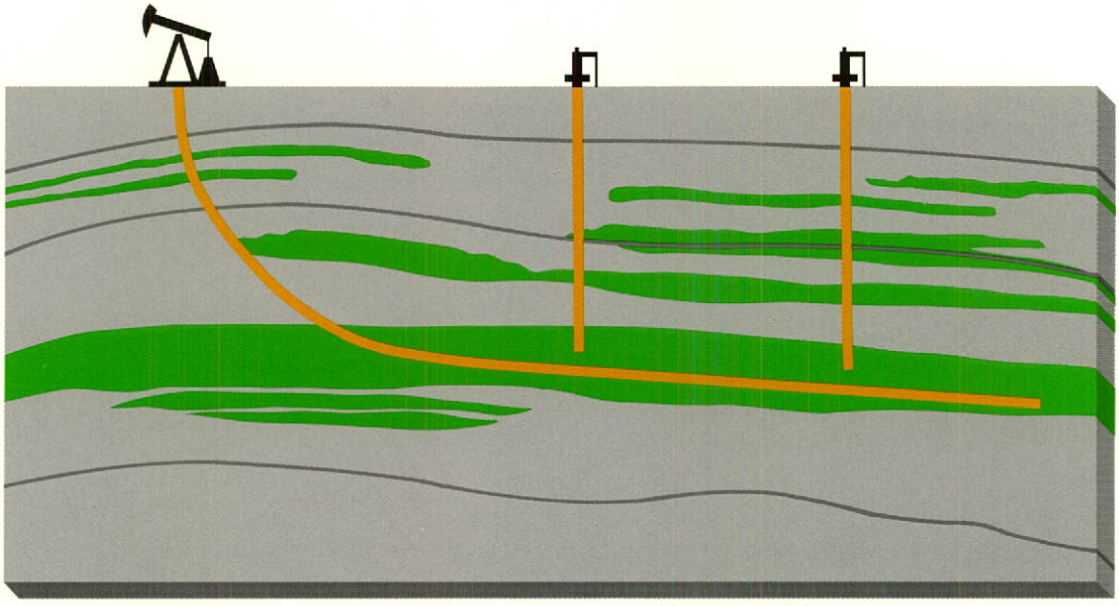
Mackenzie Delta/Beaufort Sea drilling enters third decade

Imperial entered its twentieth year of exploration in the Mackenzie Delta/Beaufort Sea region in 1984. Over this

Directionally drilled and vertical wells are currently used to recover heavy oil at Cold Lake.



Esso Resources' experimental horizontal well, the longest in North America, runs for more than 1000 metres (3,280 feet) through the bitumen deposit. This technique allows oil to be recovered from a greater area.



■ Oil sand formation

■ Rock

The bitumen deposits at Cold Lake are approximately 500 metres (1,600 feet) below the surface, making surface mining impractical. To date, the method used for recovering bitumen is cyclic steam stimulation (top), in which steam is injected into vertical and directionally drilled wells. Over time, the steam thins the bitumen and allows it to be pumped to the surface.

In an experimental technique developed by Esso Resources (bottom), a horizontal well is drilled along the bottom of the bitumen formation, which is heated by vertically injected steam. The steam-thinned bitumen drains into the horizontal well.

period the company has drilled or participated in the drilling of 84 wells in the region.

Currently, the company's major effort in the area involves the continuation of a five-year multi-well exploration program in a farm-out agreement with Canadian associates. The program is more than half completed, and by the end of 1986 at least seven offshore and six onshore wells will have been drilled.

Three wells were completed early in 1984: North Nuna was dry and abandoned, West Tuk was a natural gas and condensate discovery and Kadluk was a marginal gas discovery. By year's end, the 1984/85 six-well winter drilling program was under way at three offshore wells—Adgo, Amerk and Nipterk. Three onshore wells—West Tuk J29, Itkrilek and Taglu West—were scheduled for drilling in the first quarter of 1985.

In two decades of activity in the Mackenzie Delta/Beaufort Sea area, the company has acquired a wealth of experience in drilling, construction and logistics, plus the technological expertise demanded by this difficult environment. While substantial quantities of gas have been found, insufficient oil has been confirmed to date to warrant commercial development.

Atlantic wells planned for 1985 and 1986

In November, 1984, Esso Resources reached a farm-out agreement with nine Canadian companies to participate in an exploration program off the east coast of Canada. Plans call for drilling two wells in the company's Flemish Pass holdings east of Hibernia. One well will be drilled in the summer of 1985 and a second in 1986. Esso Resources will act as the operator for the program and will retain about a 50 percent interest in any resulting discoveries.

Coal sales increase

The company's Byron Creek coal mine, in southeast British Columbia, produced at close to its capacity in 1984. The mine shipped a total of 1.3 million tonnes (1.5 million tons) of thermal coal to customers in eastern Canada, the United States, Taiwan and Japan, with additional spot shipments to Europe.

Late in 1984, the company announced plans to build a new coal wash plant at Byron Creek. The plant will allow the mine to process thermal coal with a higher ash content and thus will increase the recovery of marketable coal and significantly extend the life of the mine. Work on the wash plant, which will cost an estimated $50 million, will begin in 1985 and be completed in 1986.

Mineral exploration continues

The company continued its program of mineral exploration in eight provinces and one territory during the year. The current focus of mineral exploration is on precious metals and on base metals with immediate market potential.

Strategies emphasize efficiency, new production

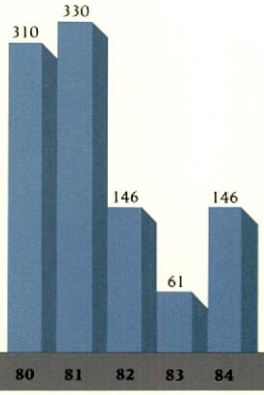
Esso Resources' strategies will continue to emphasize improved efficiency in its operations, the development of new production from known reserves and the identification and development of new opportunities.

During the past few years these strategies have been effective in improving the company's operating results. Several major projects, including Norman Wells and the first two phases of Cold Lake, are scheduled to start operation in 1985 and will result in a substantial increase in the company's crude-oil production for the first time since 1979.

Maintain efficiency leadership, provide innovative products and services that meet customer needs, retain market share

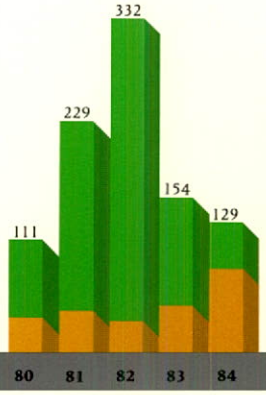
Esso Petroleum Canada

Earnings from operations
millions of dollars



Earnings recover following two years of sharp decline.

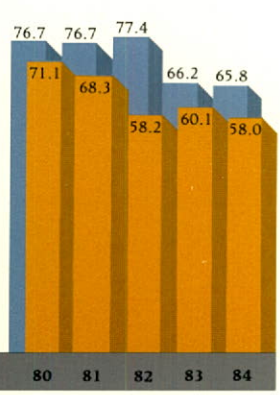
Capital expenditures
millions of dollars



Refining
Marketing

Major refinery investments complete, spending focuses on marketing improvements.

Refinery capacity and crude oil processed
thousands of m^3/d



Refinery capacity at Dec. 31
Crude oil processed

Refinery utilization efficient at 88 percent.

Improved efficiency, better markets spur recovery

Esso Petroleum had significantly better results in 1984, as earnings increased to $146 million from $61 million in 1983. Return on capital employed improved to 5.8 percent, after falling to 2.4 percent in 1983.

The main reasons for the improvement in earnings were greater operating efficiency, increased sales of lubricants, diesel and aviation fuels and more stable prices. There was also a gain on inventories, compared with a loss in 1983.

Efficiency measures cut costs by $16 million

A reduction in the total cost of manufacturing petroleum products was one of the principal contributors to higher earnings. Esso Petroleum processed less crude oil in 1984 than it had the previous year, making up the difference between its own production and customer demand by purchasing supplies from other companies and by drawing on inventories.

Although less crude oil was processed, the division's refineries operated at higher capacity-utilization rates in 1984. In eastern Canada, the suspension of operations at Esso Petroleum's Montreal refinery late in 1983 resulted in higher operating rates at its Sarnia and Dartmouth refineries throughout 1984. In western Canada, higher rates resulted from a major agreement to process crude oil for another company at its Strathcona refinery near Edmonton and from newly developed markets for refined products produced at its Ioco refinery near Vancouver. Those factors led to lower unit costs of production.

Throughout its refinery network, Esso Petroleum made significant advances in obtaining greater yields of higher-value products from crude oil processed and continued reducing the amount of energy required to manufacture products.

Other efficiency gains resulted from the continued application of computer technology at distribution terminals and agency bulk plants. The supply and distribution network underwent further restructuring, including the closing of three terminals. In addition, working-capital needs for marketing operations were reduced because of the lower inventory requirements at fewer terminals, faster billing and modified credit practices.

Economies achieved in crude-oil purchases

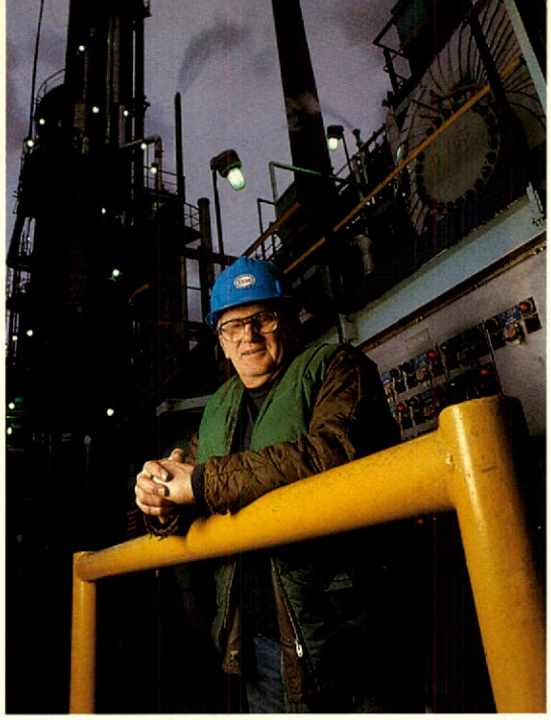
Additional cost reductions were achieved by Esso Petroleum through its purchases of lower-cost crude oil that could still be manufactured into the full range of products required.

Larger quantities of domestic crude oil were processed at the Dartmouth refinery as part of a federal program of transportation subsidies to maintain domestic oil production and reduce imports.

	1982	1983	**1984**
Financial statistics		millions of dollars	
Earnings	146	61	**146**
Revenues (l)	6638	6702	**6816**
Capital employed at Dec. 31	2519	2552	**2467**
Return on average capital employed (percent)	5.9	2.4	**5.8**
Operating statistics			
Sales of petroleum products (thousands of m^3/d) (l)	58.3	54.4	**53.0**
Refinery capacity utilization at Dec. 31 (percent)	75	78	**88**

One cubic metre (m^3) is equal to approximately 6.3 barrels.

(l) See note 1 to the audited financial statements.



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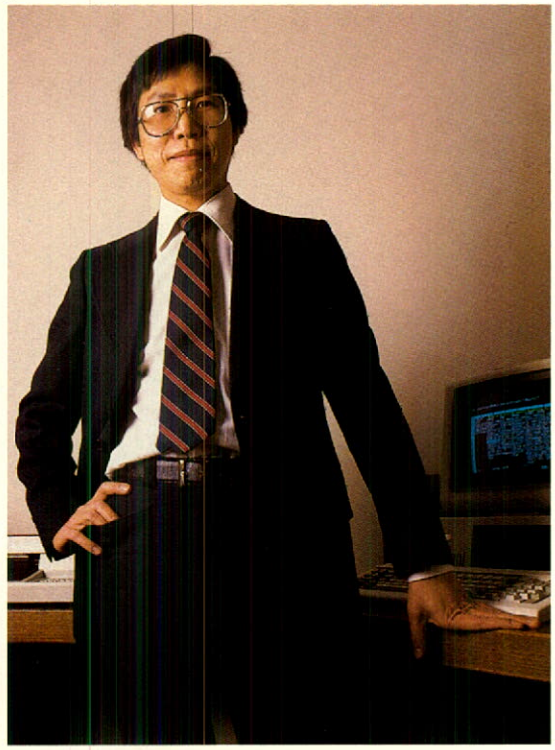

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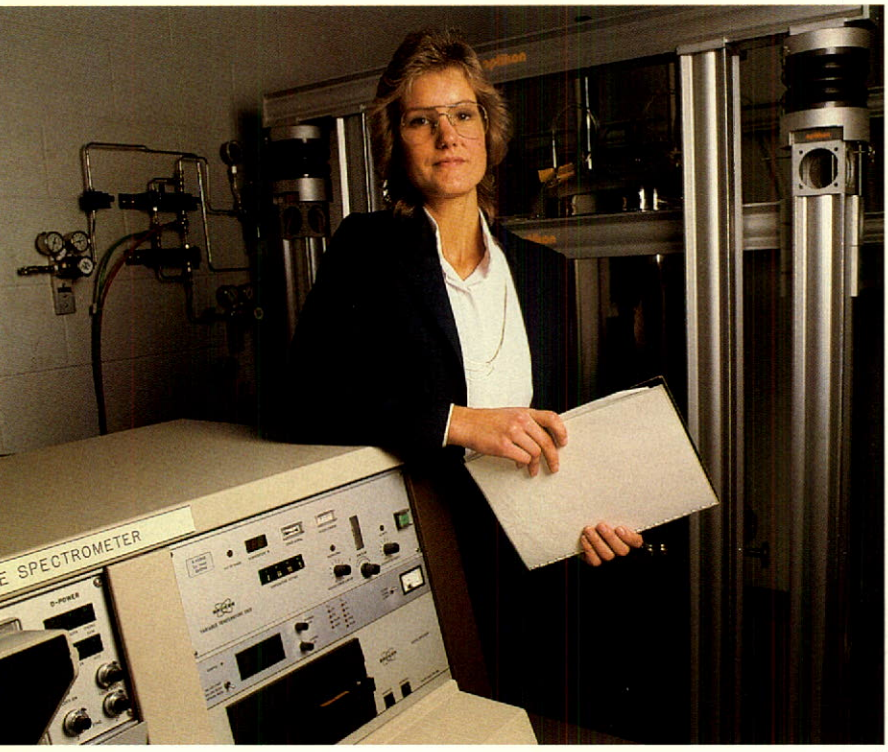

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1

Lorne Longley, a mechanical fitter, first class, is a member of a team that saved money by reducing heat losses at the Sarnia refinery.

2

Stanley Fung is national coordinator of microcomputer operations in the comptroller's department in Don Mills, Ont.

3

Howard Pennell is manager of the new Esso one-stop retail outlet near Ottawa, which offers customers a convenience store, a self-serve car wash and an automated banking machine.

4

Cathy Michael is a technician at the Sarnia research centre who operates a highly sophisticated instrument that controls quality by determining the atomic structure of products.

New equipment installed at Dartmouth during the early 1980s also provided greater flexibility in selecting sources of imported oil. In 1984, the refinery processed oil from Great Britain, Nigeria and other countries, in addition to supplies from traditional sources in Venezuela and Mexico.

Gasoline markets more stable despite strong competition

Although gasoline prices fluctuated considerably throughout the year – especially in such major markets as Quebec City, Toronto and Winnipeg – the fluctuations were not as extreme and the periods of low prices not as prolonged as they were in 1983.

The division made major progress during 1984 on a five-year, $225-million program to make Esso service stations more attractive and more convenient for customers. During the year, more than 200 stations were refurbished or built with a brighter design and new convenience features.

Esso Petroleum continues to enhance its appeal to customers by offering a wider range of services at its retail locations. For example, it opened two stations near Ottawa toward the end of the year that include a customer-operated car wash, a convenience store and in one case an automatic banking machine.

Market share relatively constant as overall demand drops slightly

In contrast to the early 1980s, when demand for petroleum products dropped sharply for several years, total product demand declined only slightly in 1984. Sales of diesel and aircraft fuels, as well as lubricants, grew strongly as the economic recovery continued. Demand for gasoline was marginally lower, while sales of heating fuels – including furnace oil and heavy fuel oil – declined because of conservation and conversion to other forms of energy.

Within that context, Esso Petroleum's overall share of the market remained about the same as in 1983.

Support for swimming culminates in Olympic achievements

In addition to its continuing support for amateur swimming, culminating in an unprecedented performance by Canadian swimmers at the 1984 Summer Olympics, the division announced its participation in a program to sponsor the Team Canada hockey team through to the 1988 Winter Olympics. Esso Petroleum and its dealers and agents also sponsored a wide range of other sporting and cultural events in communities across Canada.

Care for customers, value and efficiency stressed to retain market share

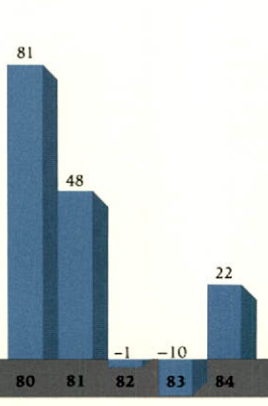
Demand for petroleum products is expected to decline slightly during the coming year. That will result in a continuation of the highly competitive environment that has existed for a number of years. Competition for gasoline customers is expected to be particularly intense.

The company's principal goal in that environment will be, at a minimum, to retain its share of the petroleum product market by offering products and services that represent good value. It will also continue its efforts to be the most efficient supplier of products and, in that way, to improve profit margins on its sales.

Be the lowest-cost producer, develop new products and markets, give customers high value, encourage employee innovation

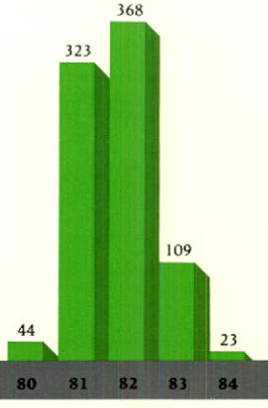
Esso Chemical Canada

Earnings from operations
millions of dollars



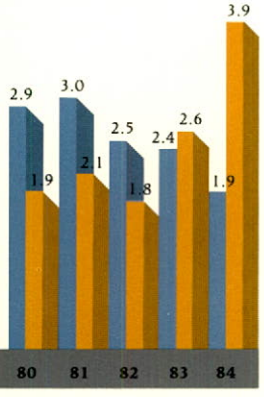
Chemical operations return to profitability.

Capital expenditures
millions of dollars



Investment drops with completion of major projects in 1983.

Sales volumes
thousands of tonnes per day



Petrochemicals
Agricultural chemicals

Fertilizer sales increase; petrochemicals decline in a difficult market.

Significant turnaround spurred by agricultural chemicals

Esso Chemical achieved a significant turnaround during 1984, earning $22 million compared with a loss of $10 million in 1983.

The turnaround was due primarily to increased revenues from fertilizer sales, which were up by 43 percent, supported by an outstanding production record at the agricultural chemical complex near Redwater, Alta. Earnings from petrochemicals were at a break-even point during the year, mainly as a result of low prices for plastic products in both domestic and international markets.

Despite the improved earnings, the division's return on capital employed was only two percent. That's because large investments were made in the early 1980s to increase production capacity, and, due to difficult market conditions, earnings have not yet increased sufficiently to yield an acceptable return on those investments.

Strong sales, manufacturing pace agricultural chemicals

The agricultural chemical group, which sells a range of nitrogen and phosphate fertilizers manufactured at the Redwater complex, played a pivotal role in Esso Chemical's financial performance. The group achieved a large increase in sales combined with very high rates of efficient production.

For example, recently expanded facilities that manufacture ammonia and urea (two types of nitrogen fertilizer) consistently produced above design capacity. Those high production rates, plus the efficient design of the plant, the renegotiation of feedstock contracts and other cost reductions allowed profitable sales in both domestic and export markets.

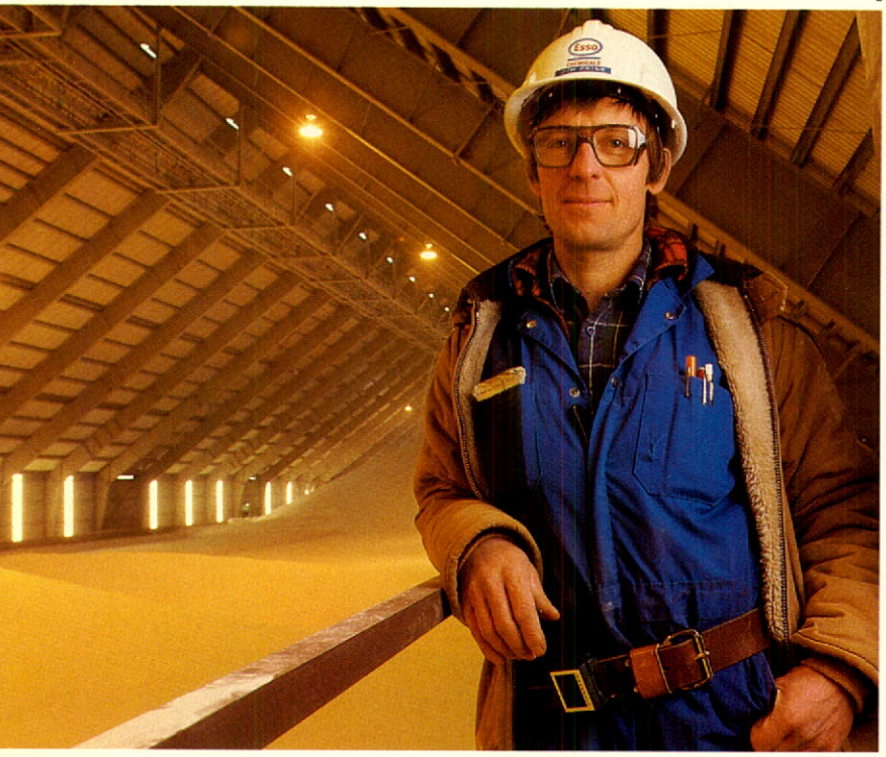
The company improved its position as a leading fertilizer marketer in western Canada through its retail network of Esso farm agents, as well as through sales to wholesale customers. Substantially increased fertilizer sales were made through an affiliated company in states near the borders of Canada's western provinces, a region where part of the output of the Redwater complex has traditionally been sold. In addition, an aggressive marketing campaign carried out through affiliated companies resulted in new sales of nitrogen fertilizers to China, India and Latin America.

Fertilizer prices, while strengthening, are still below levels that provide a wholly satisfactory return on the capital employed in agricultural chemicals. However, low inventories of Canadian grain are expected to encourage the planting of a large domestic crop this spring, which will bolster demand for fertilizer and provide opportunities for Esso Chemical to increase domestic sales and improve its market position. The

	1982	1983	**1984**
Financial statistics (1)		millions of dollars	
Earnings (loss)	(1)	(10)	**22**
Revenues			
Petrochemicals	516	512	**479**
Agricultural chemicals	166	230	**328**
Total revenues	682	742	**807**
Capital employed at Dec. 31	1030	1123	**1014**
Return on average capital employed (percent)	(0.1)	(0.9)	**2.1**
Operating statistics		thousands of tonnes per day	
Sales			
Petrochemicals	2.5	2.4	**1.9**
Agricultural chemicals	1.8	2.6	**3.9**

One tonne is equal to approximately 1.1 short tons or 0.98 long ton.

(1) Building materials have been reclassified from chemicals to other operations.



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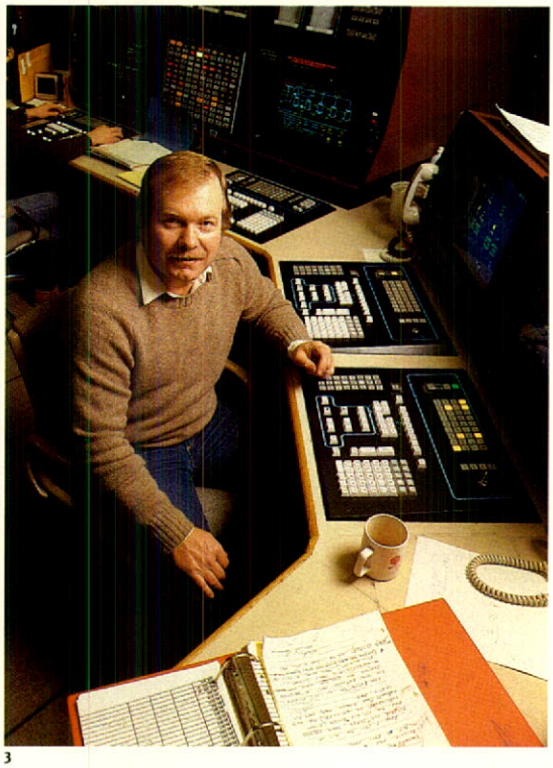

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1	2	3	4
Jim Prins, an electrician in the shipping department at the agricultural chemical complex near Redwater, is seen here in the complex's huge new fertilizer warehouse.	Ed Houlahan is a technologist at the plastics technology centre in Sarnia involved in testing the plastic film extruded from the machinery in the background.	Ken Wright is a shift supervisor at the new linear low-density polyethylene plant in Sarnia.	Gail Linger is a customer service representative at Esso Chemical's central office in Toronto.

company's competitiveness in foreign markets will be sustained by the efficiency of its world-scale production.

Product surplus, depressed prices hurt petrochemical results

While fertilizer results were substantially better than expected, petrochemical earnings were disappointing. Some of Esso Chemical's seven petrochemical product lines – including solvents and intermediates – were profitable. But those results were offset by disappointing revenues from sales of plastics, which in recent years have become an increasingly important part of Esso Chemical's business.

Low product prices were the principal reason for the poor petrochemical results. During the past several years, large petrochemical plants have been built in various parts of the world, including Canada, to upgrade indigenous supplies of oil and natural gas into higher-value products. To ensure competitiveness, those plants were built to world scale, in the expectation that any production that was surplus to domestic demand could be exported. In the case of new Canadian plants, an important export market was the United States.

However, the strength of the U.S. dollar – combined with an international surplus of petrochemical production capacity – has sparked intense competition for U.S. sales among producers from many parts of the world, including those that would normally be concentrating on other markets. That competition has driven down prices in the United States and, because of the international nature of the petrochemical business, has also had an effect on Canadian prices.

Feedstock costs rise

Aggravating the situation for Canadian petrochemical manufacturers was the fact that domestic prices for natural gas and crude oil, two major raw materials, increased during 1984. At the same time, manufacturers in other countries experienced stable or falling raw-material prices.

The outlook for petrochemical operations remains uncertain, with low prices expected to continue. Unless the prices of natural gas and gas liquids are freed from regulation and allowed to respond to market forces, Canadian producers will be faced with higher costs than their competitors in other countries. Results will continue to be determined, to a large degree, by revenues from sales of the plastic resins Esso Chemical manufactures.

Low-cost production, customer orientation among key strategies

Esso Chemical has four strategies for improving its earnings. First, it will strive to be the lowest cost producer. Second, it plans to focus closely on the needs of customers to develop specialized, higher-value products. Third, it will adopt a market orientation rather than a product orientation – in other words, it will determine what products and services customers believe are valuable and then supply them from the most efficient source. The fourth and most important strategy is to nurture job satisfaction and personal development through the encouragement of employee innovation and effectiveness in striving to reach commonly agreed upon goals.

Other business operations

In addition to its three major operating segments, Imperial has a variety of other interests, ventures and activities that are mainly oriented to future growth.

Large research effort develops new products, processes

Imperial spends more on research than any other Canadian petroleum company: in 1984, the company spent $70 million on research in Canada.

The company's largest research centre is located in Sarnia. It performs work for both Esso Petroleum and Esso Chemical and is designated within the Exxon organization worldwide as a centre for research into lubricants and plastics. During 1984, the Sarnia research operation was awarded 18 Canadian and U.S. patents. Other highlights included the introduction of an improved version of Uniflo motor oil and substantial progress on a new, $8 million research wing.

Major research facilities are also located in Calgary, where Esso Resources seeks better methods of exploring for and extracting natural resources. Among its achievements during 1984, the Calgary group found more cost-effective ways to build exploration islands in the Beaufort Sea and defined the correct blend of solvents to use in the company's enhanced oil recovery project at Judy Creek.

Retail purchase system will benefit small business

Imperial recently formed a company called Pinpoint Retail Systems Inc. to market a new point-of-sale system. The system, which the company has patented, was developed in Canada for use in Esso gasoline stations but could have wide application in small retail outlets such as convenience stores. It consists of a computerized cash register that is linked by phone lines to central data banks, enabling it to verify credit-card transactions. It can be used as a small-business computer and to monitor inventories, in addition to imprinting credit-card receipts and serving as a conventional cash register. The system will also instantly transfer funds from "debit card" transactions.

Building Products profits from marketing and efficiency gains

Building Products of Canada Limited, a wholly owned subsidiary, was profitable for the second consecutive year in 1984, despite an eight-week strike at one plant early in the year. The results were achieved through gains in the company's share of insulation markets, increased sales of premium products, and plant efficiencies in both roofing and fibreboard operations.

Building Products is actively pursuing growth opportunities through a long-term strategy of product and market development.

Property group seeks maximum value for surplus real estate

Imperial has adopted a number of strategies to obtain maximum returns from real estate that has become surplus to its operating needs mainly because of reductions in demand for petroleum products during recent years. In some instances it leased former service-station sites to developers, then sold the properties when they had been redeveloped as office buildings, shopping centres or other higher-value real estate. In total, 110 properties were sold during the year, for proceeds of $29 million.

Other corporate activities

Imperial—with its divisions and subsidiaries—was involved during 1984 in a range of programs and activities that underscore the company's commitment to its suppliers and the society and communities in which it operates.

Program supports youth employment

To create additional employment opportunities for young Canadians, Imperial initiated a temporary youth employment program during 1984. Its goal was to provide recent graduates with a source of income and work experience that could make them better qualified to secure full-time employment. Under the program, more than 80 young people from across Canada were employed by the company for periods averaging approximately six months. The temporary employment opportunities were provided in cooperation with the federal government's Career-Access Program.

The company also employed 950 summer and co-op students during 1984.

Canadian suppliers encouraged

The Esso family of companies also supported Canadian job creation by continuing a long-standing policy of purchasing as many goods and services as possible from domestic suppliers. In some major projects, Canadian-content levels approaching 90 percent were achieved.

The company's support for Canadian suppliers ranged from a purchase commitment that enabled a sign maker in Edmundston, N.B., to hire 20 more people, to the loan of company personnel to a native drilling company in the Northwest Territories.

The company's purchasing policy has prompted the formation of new service companies and the development of unique products that not only meet its requirements but provide export-marketing opportunities for suppliers.

Imperial has also launched an aggressive program of introducing Canadian suppliers to Exxon affiliates, which has resulted in export sales for many Canadian companies.

Contributions support education, research and culture

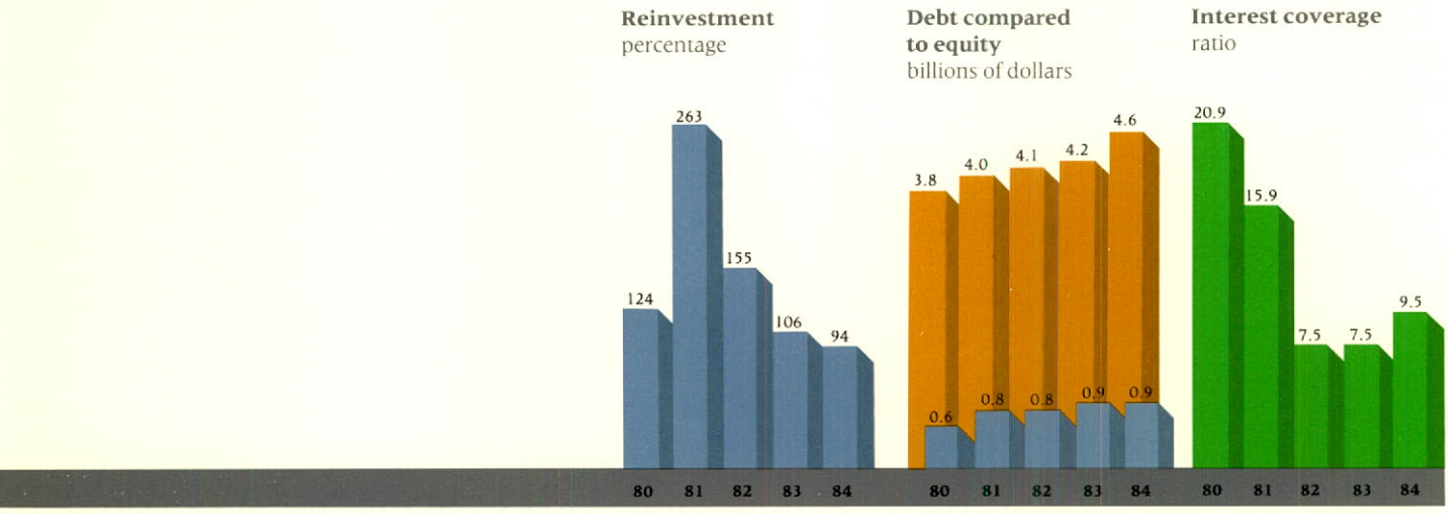
In 1984 the company made contributions to more than 1300 organizations and programs in every part of the country in support of education, research, culture, welfare, health and sports. Contributions for the year totaled $5.85 million.

Company to participate in Expo '86

In November, 1984, Imperial announced its participation in the Expo '86 World Exposition, which will be held in Vancouver between May and October, 1986. This exposition will be the first to concentrate on the theme of transportation and communication and will be the largest ever focusing on a single subject.

Imperial's involvement will include the sponsorship of a special theme pavilion, which will present highlights of the evolution of transportation and be housed in a historic railway roundhouse that the company will assist in restoring. Esso Petroleum will be the official supplier of petroleum products to the exposition.

Improve return on capital employed, retain financial strength and investment flexibility



Reinvestment declines but still equals 94 percent of internally generated funds.

Shareholders' equity
Long-term debt

Company's financial strength continues to improve.

Company's credit worthiness very strong and improving.

Consolidated statement of earnings

For the years	1982	1983	**1984**
			millions of dollars
Revenues			
Crude oil (1, 2)	648	682	**690**
Natural gas	208	185	**185**
Petroleum products (1, 3)	6178	6231	**6366**
Chemicals (1)	626	694	**753**
Other operating (1)	385	412	**454**
Interest and investment (4)	159	108	**167**
Total revenues	8204	8312	**8615**
Expenses			
Exploration	113	81	**63**
Purchases of crude oil and products (1, 2, 3)	3662	4020	**3909**
Extracting, processing and manufacturing	1016	1056	**1068**
Marketing and administration	763	781	**879**
Interest (11)	115	121	**126**
Total expenses	5669	6059	**6045**
Revenues net of expenses	2535	2253	**2570**
Depreciation and amortization	219	235	**260**
Earnings before taxes and levies	2316	2018	**2310**
Taxes and levies (5)	2027	1686	**1777**
Earnings from operations	289	332	**533**
Unusual items (6)	(22)	(42)	**–**
Net earnings	267	290	**533**

			dollars
Per-share information			
Earnings from operations	1.84	2.09	**3.32**
Net earnings	1.70	1.83	**3.32**
Dividends	1.40	1.40	**1.45**

The notes referred to on this and the following two pages are found in "Notes to the financial statements," pages 32 to 37.

Consolidated statement of changes in financial position

For the years	1982	1983	**1984**
			millions of dollars
Internal funds			
Revenues net of expenses	2535	2253	**2570**
Current taxes and levies (5)	1705	1545	**1612**
Internal funds generated from operations	830	708	**958**
Dividends	(220)	(222)	**(233)**
Decrease (increase) in operating working capital	9	147	**(80)**
Adjustment for exploration expense	113	81	**63**
Net internal funds generated	732	714	**708**
Investment of funds			
Capital and exploration expenditures	1134	699	**679**
Other–net	(2)	59	**(15)**
Total investment of funds	1132	758	**664**
Excess (shortage) of net internal funds generated after investment	(400)	(44)	**44**
External financing			
Long-term debt and other obligations, net of repayments	63	121	**(30)**
Capital stock	14	60	**74**
Total external financing	77	181	**44**
Increase (decrease) in funds	(323)	137	**88**

Increase (decrease) in funds by component			
Marketable securities	(200)	58	**193**
Outstanding cheques, less cash	(86)	44	**(97)**
Short-term notes	(37)	35	**(8)**
Total increase (decrease) in funds	(323)	137	**88**

Consolidated statement of financial position

As at December 31	1983	**1984**	change
		millions of dollars	
Capital employed			
Working capital			
Current assets			
Marketable securities at cost, which approximates market value	456	**649**	193
Accounts receivable	981	**1007**	26
Amounts receivable from Exxon Corporation and affiliates (7)	–	**15**	15
Inventories of crude oil and products	1388	**1505**	117
Materials, supplies and prepaid expenses	114	**120**	6
Total current assets	2939	**3296**	357
Current liabilities			
Outstanding cheques, less cash	31	**128**	97
Short-term notes	3	**11**	8
Accounts payable and accrued liabilities	971	**1124**	153
Amounts owing to Exxon Corporation and affiliates (7)	9	**–**	(9)
Taxes and levies payable	245	**185**	(60)
Total current liabilities	1259	**1448**	189
Total working capital	1680	**1848**	168
Investments and other long-term assets (8)	450	**511**	61
Property, plant and equipment at cost, less accumulated depreciation and amortization (10)	4660	**4974**	314
Total capital employed	6790	**7333**	543
Sources of capital employed			
Long-term debt and other obligations (7, 12)	1180	**1184**	4
Commitments and contingent liabilities (9)			
Deferred income taxes (15)	1379	**1544**	165
Shareholders' equity			
Capital stock (13)	1250	**1324**	74
Earnings retained and used in the business			
At beginning of year	2913	**2981**	68
Earnings for the year	290	**533**	243
Dividends	(222)	**(233)**	(11)
At end of year	2981	**3281**	300
Total shareholders' equity	4231	**4605**	374
Total sources of capital employed	6790	**7333**	543

The summary of accounting policies, glossary of terms and notes are part of the financial statements.

Approved by the board

Chairman and chief executive officer

President and chief operating officer

Auditors' report

To the Shareholders of Imperial Oil Limited

We have examined the consolidated statements of earnings and changes in financial position of Imperial Oil Limited for each of the three years in the period ended December 31, 1984 and the consolidated statement of financial position as at December 31, 1983 and 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the results of operations and changes in financial position of the company for each of the three years in the period ended December 31, 1984 and its financial position as at December 31, 1983 and 1984 in accordance with generally accepted accounting principles in Canada consistently applied.

Price Waterhouse

Chartered Accountants
Toronto-Dominion Centre
Toronto, Ontario
February 18, 1985

Summary of significant accounting policies

Principles of consolidation
The consolidated financial statements include the accounts of Imperial Oil Limited and its subsidiary companies. All intercompany accounts and transactions have been eliminated. A list of subsidiary companies is shown on page 58.

A significant portion of the company's activities in natural resources is conducted jointly with others. The accounts reflect the company's proportionate interest in such activities.

Inventories
Inventories of crude oil and products are recorded at cost, using the first-in, first-out method, which is less than net realizable value. The recorded cost includes the Petroleum Compensation Charge and Canadian Ownership Special Charge.

Amounts received or claimed under the federal government's oil import compensation programs are deducted from the cost of purchasing crude oil and products.

Materials and supplies are recorded at the lower of cost or net realizable value.

Investments
The principal investments in companies other than subsidiaries are accounted for using the equity method. Imperial's share of the net assets of these companies is recorded in the consolidated statement of financial position as "investments." Its share of their earnings after income taxes is included in the consolidated statement of earnings under the revenue line "interest and investment."

Other investments are recorded at cost, and income from them is recorded only as dividends are declared.

The ownership percentages of Imperial's principal investments are shown on page 58. The amount at which all investments are recorded is shown in note 8 on page 34.

Property, plant and equipment
Property, plant and equipment, including related preoperational costs and design costs of major projects, are recorded at cost and so carried until sold or otherwise disposed of.

The company follows the successful-efforts method of accounting for costs of exploration and development activities. Costs of exploration acreage are capitalized

and amortized over the period of exploration or until a discovery is made. Costs of exploratory wells are capitalized until their economic status has been evaluated. Costs of exploratory wells found to be dry during the year or before the issuance of these financial statements are charged against earnings. All other exploration costs are charged against earnings as incurred. All costs of development wells and successful exploration wells are capitalized.

The costs of maintenance and repairs are charged to operating expenses. Improvements that increase the service capacity of an asset or prolong its service life beyond that contemplated in the established rates of depreciation are capitalized.

Investment tax credits are reported as a reduction of the capitalized costs of the asset to which they apply.

Depreciation of plant and equipment is calculated using the straight-line method, based on the estimated service life of the asset. Amortization of the capitalized costs of producing wells and leases, of the Syncrude project and Cold Lake pilot plants and of operating mines are calculated using the unit-of-production method.

Gains or losses on assets sold or otherwise disposed of are included in the consolidated statement of earnings.

Retirement plans
The company's pension plans cover substantially all employees. Pension-benefit obligations are determined annually by independent actuaries using the projected-unit-credit method. Valuation of assets is generally based on market values at Dec. 31 of each year. The amount funded is charged to expense and is established according to accepted actuarial procedures.

Consumer taxes and Crown royalties
Taxes levied on the consumer and collected by the company are excluded from the consolidated statement of earnings. These are primarily provincial taxes on motor fuels and the federal tax on exports of crude oil and petroleum products. Crown royalties are also excluded from the consolidated statement of earnings.

Translation of foreign currencies
Long-term monetary liabilities payable in foreign currencies have been translated at the rates of exchange prevailing on Dec. 31. Exchange gains and losses arising on translation of long-term debt are amortized over the remaining term of the debt.

Taxes and levies: Taxes are income taxes, both current and deferred; revenue taxes, which comprise the Petroleum and Gas Revenue Tax and the Incremental Oil Revenue Tax; and commodity, property and other taxes, which include the special gasoline excise tax and the federal sales tax. Levies are the Petroleum Compensation Charge and the Canadian Ownership Special Charge.

Funds: total of cash, marketable securities and short-term loans, reduced by outstanding cheques and short-term notes.

Internal funds generated from operations: earnings from operations adjusted for those items that do not involve cash.

Operating working capital: working capital less funds.

Revenues net of expenses: net revenues before depreciation and amortization and taxes and levies reported on the consolidated statement of earnings.

Notes to the financial statements

1. Reporting changes

In order to provide a clearer understanding of business with customers, the company has modified reporting of revenues and purchases. There is no effect on earnings. These modifications are described in notes 2(b), 2(c) and 3.

The building material business has been reclassified from chemicals to other operations in order to clarify the chemical segment.

The format of the consolidated statement of changes in financial position on page 28 has been modified to clarify the categories of internal funds, investment and external financing.

Prior years have been restated to conform with 1984 reporting.

2. Crude-oil revenues

(a) The company supplements its own production to meet its refining needs by buying crude oil and selling any unused quantities. Those purchases and sales, amounting to $1461 million in 1984, are excluded from reported revenues and purchases (1983–$1253 million; 1982–$987 million).

(b) Sales and repurchases of oil, primarily heavy-oil transactions with the Alberta Petroleum Marketing Commission, previously reported in revenues and purchases (see note 1), have been netted. Amounts are: 1984–$199 million; 1983–$164 million; 1982–$28 million.

(c) Syncrude compensation has been reclassified from purchases to crude-oil revenue (see note 1). Amounts reclassified are: 1984–$83 million; 1983–$86 million; 1982–$117 million.

3. Petroleum product purchase/sale agreements

Purchase/sale agreements with other refiners facilitate supply requirements while reducing transportation and other costs. Sales from those agreements, previously included in revenues (see note 1), have been netted with purchases. In 1984 they amounted to $964 million (1983–$637 million; 1982–$503 million).

4. Interest and investment income

	1982	1983	**1984**
		millions of dollars	
Interest on marketable securities and short-term deposits	99	47	**65**
Earnings after tax from equity investments	28	37	**37**
Other	32	24	**65**
Total interest and investment income	159	108	**167**
Dividends received from equity investments	17	19	**21**

5. Taxes and levies

	1982	1983	**1984**
		millions of dollars	
Current and deferred income taxes			
Federal	310	333	**375**
Provincial	74	87	**114**
Revenue taxes			
Petroleum and Gas Revenue Tax	154	170	**150**
Incremental Oil Revenue Tax	21	–	**–**
Commodity, property and other taxes			
Federal sales tax	340	307	**347**
Special gasoline excise tax	113	106	**101**
Property and other taxes	101	91	**86**
Levies			
Petroleum Compensation Charge	765	449	**473**
Canadian Ownership Special Charge	149	143	**131**
Total taxes and levies	2027	1686	**1777**
Less: deferred income taxes	322	141	**165**
Current taxes and levies	1705	1545	**1612**

The operations of the company are complex and the related income and other tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question. The company believes the provision made for income and other taxes is adequate.

Summary of income-tax calculations	1982	1983	**1984**
		millions of dollars	
Earnings before taxes and levies	2316	2018	**2310**
Deduct:			
Taxes and levies other than income taxes	1643	1266	**1288**
Equity companies' earnings	28	37	**37**
Adjusted earnings	645	715	**985**
Basic corporate tax rate (percent)	49.5	49.5	**47.7**
Income taxes at basic rate	319	354	**470**
Add income taxes on:			
Petroleum and Gas Revenue Tax, Incremental Oil Revenue Tax, Crown royalties and other similar non-deductible payments to governments	222	234	**215**
	541	588	**685**
Deduct income taxes on:			
Resource allowance	104	126	**121**
Depletion allowance	17	22	**42**
Manufacturing and processing credit	4	(2)	**9**
Inventory allowance	23	19	**19**
Other	9	3	**5**
Income taxes	384	420	**489**
Effective income-tax rate (percent)	59.5	58.7	**49.6**
Increases (decreases) in deferred income taxes resulting from timing differences			
Capital cost allowance	226	113	**136**
Successful drilling	26	37	**36**
Land-acquisition costs	(4)	(13)	**(4)**
Depletion	56	18	**–**
Provincial royalty rebates	31	–	**–**
Other	(13)	(14)	**(3)**
Net increase in deferred income taxes	322	141	**165**
Current income taxes	62	279	**324**

This summary does not include income taxes on the unusual items reported in 1982 and 1983.

6. Unusual items

	1982	1983	**1984**
		millions of dollars	
Cold Lake megaproject	18	–	**–**
Granduc mine	(40)	–	**–**
Montreal refinery	–	(70)	**–**
Sarnia ethylene unit	–	(6)	**–**
Interprovincial Pipe Line Limited	–	34	**–**
	(22)	(42)	**–**

Cold Lake megaproject–$40 million was advanced by the federal government in 1981 relating to the Cold Lake megaproject. In 1982, under the terms of the agreement, the advance was not required to be repaid, due to the suspension of the megaproject. As a result, earnings increased by $18 million after related shutdown costs and income taxes.

Granduc mine–After a re-evaluation of the mine's economically recoverable copper reserves, the company wrote the mine assets down to net realizable value, resulting in a one-time charge to earnings of $40 million net of income taxes of $26 million.

Montreal refinery–The company suspended operations at its Montreal refinery in order to improve the overall efficiency of its refinery network. The write-down of the refinery assets and suspension costs resulted in a one-time charge to 1983 earnings of $70 million after income tax credits of $63 million.

Sarnia ethylene unit–The company suspended operations at one of its two ethylene producing units at the Sarnia chemical plant, due to surplus production capacity. The unit's assets were written down, resulting in a one-time charge to 1983 earnings of $6 million after income taxes of $4 million.

Interprovincial Pipe Line Limited (IPL)–IPL issued 13.6 million common shares to Hiram Walker Resources Limited (HWR) in exchange for 13.6 million shares of HWR. While Imperial retained ownership of 8.597 million common shares of IPL, the company's share ownership changed from 33 percent to 22 percent of the enlarged IPL. As a result of the transaction, Imperial's equity investment in IPL was adjusted to reflect its new proportionate ownership in IPL's increased book value as demonstrated by the share exchange, over the prior carrying value. This 1983 adjustment resulted in a noncash gain of $34 million. There was no income tax effect.

7. Transactions with Exxon Corporation and affiliated companies (Exxon)

The net amount of receipts by Imperial on transactions with Exxon was $197 million in the year. In 1983 and 1982 the net amounts incurred were $224 million and $8 million respectively. The terms of the transactions were competitive or as favorable as they would have been with unrelated parties. The transactions were to maintain supplies of crude oil, petroleum and petrochemical products to customers. "Other obligations," reported in note 12, include $6 million due to Exxon at Dec. 31, 1984 (1983–$6 million; 1982–$12 million).

In 1984 Exxon acquired 1 323 071 shares under the company's Dividend Reinvestment and Share Purchase Plan described further in note 13 (1983–1 195 811 shares; 1982–223 206 shares). Exxon's ownership interest in Imperial is 69.5 percent.

8. Investments and other long-term assets

Investments are primarily in companies engaged in pipeline transportation of crude oil and petroleum products.

Investments	1983	**1984**
	millions of dollars	
At equity value:		
With quoted market value of		
$287 million at Dec. 31	149	
$297 million at Dec. 31		**168**
Without quoted market value	22	**23**
At cost	5	**5**
Total investments	176	**196**
Long-term receivables	173	**175**
Other long-term assets	101	**140**
Total investments and other long-term assets	450	**511**

9. Commitments and contingent liabilities

The future liability for long-term contractual obligations and commitments, all arising in the normal course of business, is not significant to the company's consolidated financial position.

Lawsuits pending against the company would not, in the opinion of counsel, result in any financial liability having a significant effect on the company's consolidated financial position and earnings.

10. Property, plant and equipment

	Cost		Accumulated depreciation and amortization	
	1983	**1984**	1983	**1984**
	millions of dollars			
Natural resources				
Exploration and production	2215	**2412**	719	**800**
Heavy oil	827	**1045**	108	**124**
Minerals	155	**130**	64	**42**
	3197	**3587**	891	**966**
Petroleum products	2273	**2368**	973	**1046**
Chemicals (a)	1039	**1074**	181	**232**
Other	289	**290**	93	**101**
Total property, plant and equipment	6798	**7319**	2138	**2345**
Less accumulated depreciation and amortization	2138	**2345**		
Net investment	4660	**4974**		

(a) Building materials have been reclassified from chemicals to other.

11. Interest expense

	1982	1983	**1984**
	millions of dollars		
Long-term debt	92	101	**107**
Short-term notes	6	2	**4**
Capitalized leases	11	14	**13**
Other	6	4	**2**
Total interest expense	115	121	**126**

12. Long-term debt, other obligations and financing

Debentures year of issue	maturity	rate of interest	1983	1984
			millions of dollars	
1967	Jan. 2, 1987	6¾	15	**12**
1968	Jan. 2, 1988	7⅜	18	**15**
1969	Aug. 15, 1989	8½	11	**10**
1972	Feb. 15, 1992	7¾	27	**21**
1974	Aug. 15, 1994	10⅝	74	**65**
1975	Feb. 15, 1995	9¾	78	**71**
1979	Sept. 15, 2009 (U.S.$ 250 million)	9¾	311	**330**
1981	Dec. 1, 2011 (U.S.$ 200 million)	15½	249	**264**
Sinking-fund debentures			783	**788**
1983	Mar. 31, 1993	12	125	**125**
Total long-term debt (a)			908	**913**
Capitalized leases (a, b)			103	**93**
Other obligations (c)			169	**178**
Total long-term debt and other obligations			1180	**1184**

(a) Payments of principal required during the next five years for:

	Sinking-fund debentures	Capitalized leases
	millions of dollars	
1985	–	10
1986	5	10
1987	24	6
1988	26	5
1989	19	5

(b) Imputed interest on capitalized leases is $55 million during the next five years and $178 million over the life of the leases.

(c) Other obligations at Dec. 31, 1984, include $83 million (1983–$76 million) related to take-or-pay gas contracts.

Unused lines of credit with major Canadian banks totaled $590 million as at Dec. 31, 1984 (1983–$443 million).

13. Capital stock

	1982	1983	1984
			number of shares
Authorized (Class A and B)	160 000 000	200 000 000	**200 000 000**
Issued at Dec. 31 (a)			
Class A	152 833 456	156 157 528	**158 496 912**
Class B	4 926 982	3 432 194	**3 078 171**
Total	157 760 438	159 589 722	**161 575 083**
Transactions during the year			
Dividend Reinvestment and Share Purchase Plan (b)			
Number of shares issued	281 557	1 571 313	**1 777 917**
Amount (millions of dollars)	7.1	51.9	**67.0**
Class B stock dividends paid			
Number of shares issued	294 392	170 341	**121 374**
Amount (millions of dollars)	7.3	5.8	**4.7**
Employee stock options (c)			
Number exercised	2660	87 630	**86 070**
Amount (millions of dollars)	0.1	2.4	**2.2**
Fair market value (millions of dollars)	0.1	3.2	**3.2**
Number outstanding at Dec. 31	363 070	86 070	**—**

(a) Both Class A and Class B shares have voting privileges, are convertible on a share-for-share basis and rank equally in all other respects. Holders of Class B shares receive a stock dividend of Class B shares with values substantially equivalent to the cash dividend on Class A shares. Earnings per share are calculated on the monthly weighted average number of shares outstanding during the year.

(b) The plan enables shareholders to reinvest their cash dividends in additional Class A shares at five percent less than average market price. Shareholders may also invest between $50 and $5000 per calendar quarter in additional Class A or Class B shares at an average market price without paying brokerage or other fees.

(c) When the options were granted, fair market value ranged from $28.00 to $42.375. No further options may be granted under this plan.

14. Business segments

	Natural resources			Petroleum products			Chemicals (b)		
	1982	1983	**1984**	1982	1983	**1984**	1982	1983	**1984**
							millions of dollars		
Revenues									
Sales to customers	914	935	**954**	6337	6384	**6541**	639	696	**750**
Intersegment sales	570	783	**786**	301	318	**275**	43	46	**57**
Total revenues (a)	1484	1718	**1740**	6638	6702	**6816**	682	742	**807**
Earnings before taxes and levies	629	878	**883**	1651	1147	**1323**	7	(17)	**44**
Taxes and levies	509	606	**559**	1505	1086	**1177**	8	(7)	**22**
Earnings from operations	120	272	**324**	146	61	**146**	(1)	(10)	**22**
Capital employed									
Segment assets	2451	2622	**2937**	3304	3381	**3516**	978	1068	**1062**
Less current liabilities	385	528	**514**	785	829	**1049**	(52)	(55)	**48**
Total capital employed	2066	2094	**2423**	2519	2552	**2467**	1030	1123	**1014**
Depreciation and amortization	124	124	**124**	75	81	**87**	11	29	**46**
Capital and exploration expenditures	399	425	**511**	332	154	**129**	368	109	**23**

(a) Sales to customers have been adjusted to reflect those changes under notes 1, 2(b), 2(c) and 3.

In the consolidated figures reported here, all intersegment transactions have been eliminated. The company operates its business in the segments described in the operating reviews. The information in the table above is presented as though each segment were a separate business activity. Intersegment sales are made substantially at prevailing market prices.

15. Deferred income taxes

The company complies with income-tax laws and pays income taxes when due. Deferred income taxes are not a tax liability under the law. They result from differences between income-tax legislation and conventional accounting treatments of certain revenues and expenses. The major difference results from the substitution of legislated allowances on capital costs for depreciation expenses.

16. Long-term incentive compensation plan

Monetary awards are granted to attract and retain promising employees and reward them for high performance. The amounts of the awards are based on increases over time in the price of Class A convertible shares or earnings per share, whichever is greater. Awards are not eligible for payments at the time they are granted but are deferred for periods of up to six years in accordance with the type of award.

Estimated costs of the plan are amortized over its life. In 1984 the company charged $20 million to earnings (1983–$17 million; 1982–$17 million).

Other investments			Consolidated		
1982	1983	**1984**	1982	1983	**1984**
			millions of dollars		
314	297	**370**	8204	8312	**8615**
14	14	**15**	–	–	–
328	311	**385**	8204	8312	**8615**
29	10	**60**	2316	2018	**2310**
5	1	**19**	2027	1686	**1777**
24	9	**41**	289	332	**533**
785	1033	**1203**	7486	8049	**8781**
(22)	12	**(226)**	1064	1259	**1448**
807	1021	**1429**	6422	6790	**7333**
9	1	**3**	219	235	**260**
35	11	**16**	1134	699	**679**

(b) Building materials have been reclassified from chemicals to other investments (see note 1).

17. Annuitant health care and life insurance

The company shares the cost of certain health-care and life-insurance benefits for retired employees. Substantially all of the company's employees may become eligible for those benefits if they reach retirement age while still working for the company. The cost is charged against earnings on the pay-as-you-go basis and amounted to $5.7 million in 1984 (1983–$6.4 million; 1982–$4.0 million).

18. Research and development costs

Research and development costs in 1984 were $63 million (1983–$60 million; 1982–$65 million) before investment tax credits earned on these expenditures of $14 million (1983–$5 million; 1982–$5 million). The net costs were charged to expenses.

19. Employee retirement plans

The pension plans cover substantially all employees and generally are based on length of service and on average earnings during the final three years of employment. The plans are funded primarily by the company based on actuarial valuations, the most recent being at Sept. 30, 1983.

Funded Status at Dec. 31	1982	1983	**1984**
		millions of dollars	
Market value of assets	856	997	**1035**
Accumulated earned benefits	767	754	**827**
Assets excess	89	243	**208**
Unearned future benefits	267	295	**301**
Unfunded liability	(178)	(52)	**(93)**

The unfunded liability will be charged to expense over a period of up to 15 years.

Charges to expense for the year	34	33	**25**
Assumptions			
Rate of return on the plan's assets (percent)	6.0	7.0	**7.0**
Salary escalation rate (percent)	3.5	5.0	**5.0**

The change in assumptions at Dec. 31, 1983, reduced the actuarial liability by $77 million.

Supplemental information (unaudited)
Additional information for security holders is provided on pages 44 to 54.

As the company may wish to use capital markets in the United States, this includes information that conforms with the financial reporting practices in that country. A description of the differences between the accounting principles generally accepted in Canada and the United States as they apply to the company appears on page 45.

Five-year summary
Financial

Percentages and ratios	1980	1981	1982	1983	**1984**
Return on average					
Capital employed (1)	15.7	8.9	5.2	5.3	**8.5**
Shareholders' equity	21.9	11.9	6.6	7.0	**12.1**
Debt as a percentage of					
Capital employed	10.9	13.1	12.3	13.4	**12.5**
Shareholders' equity	15.2	19.3	19.3	21.5	**19.8**
Interest coverage (2)	20.9	15.9	7.5	7.5	**9.5**
Reinvestment percentage (3)	123.9	263.3	154.6	106.2	**93.8**
Current ratio (4)	3.1	2.8	2.6	2.3	**2.3**

(1) The return consists of the average capital employed divided into the sum of the net earnings, the after-tax long-term debt and capitalized leases interest expense.

(2) Interest coverage is the interest expense on long-term liabilities and capitalized leases divided into the sum of consolidated earnings from operations, interest on long-term liabilities and capitalized leases, and consolidated income taxes on earnings from operations.

(3) Reinvestment percentage is the total investments in the year divided by net internal funds generated in the year.

(4) Current ratio is current assets divided by current liabilities.

Financial information by segment (1)	1980	1981	1982	1983	**1984**
					millions of dollars
Revenues					
Natural resources	1201	1255	1484	1718	**1740**
Petroleum products	4799	6309	6638	6702	**6816**
Chemicals	663	802	682	742	**807**
Other investments	297	379	328	311	**385**
Intersegment sales	(727)	(760)	(928)	(1161)	**(1133)**
Total revenues	6233	7985	8204	8312	**8615**
Earnings from operations					
Natural resources	184	16	120	272	**324**
Petroleum products	310	330	146	61	**146**
Chemicals	81	48	(1)	(10)	**22**
Other investments	26	71	24	9	**41**
Total earnings from operations	601	465	289	332	**533**
Capital employed					
Natural resources	2063	2010	2066	2094	**2423**
Petroleum products	1786	2452	2519	2552	**2467**
Chemicals	215	508	1030	1123	**1014**
Other investments	1224	993	807	1021	**1429**
Total capital employed	5288	5963	6422	6790	**7333**
Return on average capital employed					percent
Natural resources	9.9	0.8	5.9	13.1	**14.3**
Petroleum products	18.8	15.6	5.9	2.4	**5.8**
Chemicals	43.2	13.3	(0.1)	(0.9)	**2.1**
Other investments	6.6	9.4	8.8	7.9	**8.7**
Total return on average capital employed	15.7	8.9	5.2	5.3	**8.5**

(1) Data have been restated to reflect the changes discussed in notes 1, 2 and 3 to the audited financial statements.

Consolidated statement of earnings (1)	1980	1981	1982	1983	**1984**
				millions of dollars	
Revenues					
Crude oil	494	590	648	682	**690**
Natural gas	191	193	208	185	**185**
Petroleum products	4467	5887	6178	6231	**6366**
Chemicals	601	704	626	694	**753**
Other operations	365	424	385	412	**454**
Interest and investment	115	187	159	108	**167**
Total revenues	6233	7985	8204	8312	**8615**
Expenses					
Exploration	253	221	113	81	**63**
Purchases of crude oil and products	2631	3061	3662	4020	**3909**
Extracting, processing and manufacturing	844	1068	1016	1056	**1068**
Marketing and administration	580	643	763	781	**879**
Interest	61	66	115	121	**126**
Total expenses	4369	5059	5669	6059	**6045**
Revenues net of expenses	1864	2926	2535	2253	**2570**
Depreciation and amortization	156	244	219	235	**260**
Earnings before taxes and levies	1708	2682	2316	2018	**2310**
Taxes and levies	1107	2217	2027	1686	**1777**
Earnings from operations	601	465	289	332	**533**
Unusual items	81	–	(22)	(42)	**–**
Net earnings	682	465	267	290	**533**

(1) Data have been restated to reflect the changes discussed in notes 1, 2 and 3 to the audited financial statements.

Net payments to governments	1980	1981	1982	1983	**1984**
				millions of dollars	
Taxes and levies					
Income taxes (1)	492	474	384	420	**489**
Revenue taxes	–	91	175	170	**150**
Commodity, property and other taxes	392	518	554	504	**534**
Levies	223	1134	914	592	**604**
Total taxes and levies	1107	2217	2027	1686	**1777**
Add:					
Current taxes on unusual items	–	–	(6)	(15)	**–**
Consumers taxes collected on behalf of governments	403	499	618	608	**967**
Crown royalties	513	495	505	492	**404**
	2023	3211	3144	2771	**3148**
Less deferred income taxes	136	130	322	141	**165**
Total paid or payable to governments	1887	3081	2822	2630	**2983**
Receipts from governments					
Oil-import compensation	653	761	422	149	**105**
Syncrude compensation	143	138	117	86	**83**
Investment tax credits	25	58	20	24	**44**
Incentive programs	11	19	10	8	**9**
Federal government advance for Cold Lake megaproject	–	40	–	–	**–**
Total received or receivable from governments	832	1016	569	267	**241**
Net payments to governments	1055	2065	2253	2363	**2742**
Net payments to:					
Federal government	51	986	1139	1161	**1610**
Provincial governments	967	1032	1058	1143	**1067**
Local governments	37	47	56	59	**65**
Net payments to governments	1055	2065	2253	2363	**2742**

(1) Under a federal government program encouraging taxpayers to support Canadian scientific research, Imperial made payments to Canadian companies in lieu of income tax payments to the government. Those payments provided the company with credits totaling $393 million, which were applied to payment of 1983 and 1984 income taxes reported above.

Five-year summary
Financial

Financial statistics	1980	1981	1982	1983	**1984**
				millions of dollars	
Capital employed					
Funds	955	608	285	422	**510**
Operating working capital	1030	1414	1405	1258	**1338**
Investments and other long-term assets	193	203	286	450	**511**
Property, plant and equipment, net	3110	3738	4446	4660	**4974**
Total capital employed	5288	5963	6422	6790	**7333**
Sources of capital employed					
Long-term debt and other obligations	618	946	1028	1180	**1184**
Deferred income taxes	881	975	1291	1379	**1544**
Shareholders' equity	3789	4042	4103	4231	**4605**
Total sources of capital employed	5288	5963	6422	6790	**7333**
Total assets	6244	7096	7486	8049	**8781**
Net internal funds generated	689	420	732	714	**708**

Capital and exploration expenditures	1980	1981	1982	1983	**1984**
				millions of dollars	
Natural resources					
Exploration before incentives	398	209	106	52	**56**
Exploration net of incentives	387	190	93	47	**48**
Production	143	90	206	246	**209**
Heavy oil	83	43	42	102	**231**
Minerals	69	132	58	30	**23**
Total natural resources	682	455	399	425	**511**
Petroleum products					
Marketing	35	42	31	46	**83**
Refining	76	187	301	108	**46**
Total petroleum products	111	229	332	154	**129**
Chemicals (l)	44	323	368	109	**23**
Other investments	24	100	35	11	**16**
Total capital and exploration expenditures	861	1107	1134	699	**679**

(l) Building materials have been reclassified from chemicals to other investments.

Five-year summary
Operating

Wells drilled (1)	1980		1981		1982		1983		**1984**	
	gross	net	gross	net	gross	net	gross	net	gross	net
Western provinces										
Exploratory										
Conventional	151	50	61	20	36	11	41	18	**34**	**17**
Oil sands	72	40	30	11	75	21	40	12	**77**	**16**
Development										
Conventional	139	58	83	30	34	13	114	56	**362**	**117**
Oil sands	26	26	81	81	29	29	210	210	**349**	**346**
Northern areas (2)										
Exploratory	5	1	4	1	5	1	9	3	**10**	**2**
Development	6	4	1	–	12	8	30	20	**38**	**26**
Other provinces										
Exploratory	–	–	–	–	–	–	1	–	–	–
Total wells drilled										
Exploratory	228	91	95	32	116	33	91	33	**121**	**35**
Development	171	88	165	111	75	50	354	286	**749**	**489**
Total wells in progress	84	73	54	27	60	52	16	8	**30**	**17**

Land holdings (1)									millions of hectares	
Oil and gas										
Western provinces										
Conventional	5.3	1.4	5.6	1.4	5.3	1.3	2.5	0.9	**2.4**	**0.9**
Other	0.7	0.3	0.8	0.3	1.0	0.4	1.0	0.4	**1.0**	**0.4**
Northern areas (2,3)	11.7	4.0	11.4	3.8	9.8	3.9	10.5	3.8	**9.6**	**3.5**
Atlantic offshore (3)	6.1	5.2	5.5	4.8	6.0	4.7	4.4	3.6	**4.0**	**3.3**
Other provinces (4)	–	–	1.8	0.2	1.8	0.4	1.9	0.4	**1.9**	**0.4**
Total oil and gas land holdings	23.8	10.9	25.1	10.5	23.9	10.7	20.3	9.1	**18.9**	**8.5**
Minerals										
Coal	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	**0.4**	**0.4**
Uranium	0.3	0.2	0.3	0.2	0.3	0.2	0.2	0.1	**0.1**	**–**
Base metals	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.2	**0.2**	**0.1**
Total minerals land holdings	1.2	1.1	1.1	1.0	1.1	1.0	1.0	0.8	**0.7**	**0.5**

(1) Gross includes the interests of others; net excludes the interests of others. One hectare equals about 2.5 acres.

(2) Northern areas–the Arctic islands and the Yukon and Northwest Territories, including the Beaufort Sea/Mackenzie Delta region–are often referred to as Canada lands.

(3) The company's interests in lands under the jurisdiction of the government of Canada are subject to reduction under the terms of the Canada Oil and Gas Act, including the vesting of 25 percent in the government of Canada.

(4) This represents seismic options in the province of Quebec.

Five-year summary
Operating

	1980		1981		1982		1983		**1984**	
	gross	net	gross	net	gross	net	gross	net	gross	net
Proved reserves (1)										
Crude oil and natural-gas liquids (NGL) (millions of m^3)	198	140	174	124	167	125	190	145	**222**	**172**
Natural gas (billions of m^3)	57	39	53	37	52	38	50	37	**51**	**36**
Crude-oil supply and utilization (thousands of m^3/d)										
Crude-oil production (1)										
Conventional	27.0	15.8	21.0	12.6	18.2	11.6	16.0	10.7	**15.4**	**10.6**
Cold Lake	0.9	0.9	1.4	1.3	1.8	1.7	2.3	2.1	**2.9**	**2.7**
Syncrude	3.2	2.8	3.2	2.7	3.4	2.8	4.4	3.7	**3.4**	**3.3**
Total crude-oil production	31.1	19.5	25.6	16.6	23.4	16.1	22.7	16.5	**21.7**	**16.6**
Natural-gas liquids (NGL)	3.6	2.6	3.2	2.3	2.6	1.8	2.1	1.5	**2.0**	**1.5**
Total crude-oil and NGL production	34.7	22.1	28.8	18.9	26.0	17.9	24.8	18.0	**23.7**	**18.1**
Net purchases from others										
Domestic		32.6		34.3		28.8		33.3		**32.1**
Imported		16.4		15.1		11.5		8.8		**7.8**
Crude oil processed at company refineries										
Ioco, B. C.		5.9		6.0		5.6		5.2		**6.0**
Norman Wells, N.W.T.		0.4		0.5		0.5		0.5		**0.5**
Strathcona, Alta.		24.4		24.4		21.1		21.9		**24.8**
Sarnia, Ont.		17.0		15.7		14.1		14.9		**16.3**
Montreal (2)		11.6		11.4		8.0		8.5		**–**
Dartmouth, N.S.		11.8		10.3		8.9		9.1		**10.4**
Total crude oil processed		71.1		68.3		58.2		60.1		**58.0**
Refinery capacity at Dec. 31		76.7		76.7		77.4		66.2		**65.8**
Refinery capacity utilization at Dec. 31 (percent) (2)		93		89		75		78		**88**
Natural gas (millions of m^3/d)										
Production (1)	8.2	5.6	7.7	5.4	7.3	5.4	6.9	5.2	**6.6**	**4.8**
Purchased for resale	0.7		0.8		0.6		0.6		**0.4**	
Sales	8.9		8.5		7.9		7.5		**7.0**	

Average sale prices					dollars
Crude oil and NGL (per m^3)	95.09	114.54	151.90	189.55	**192.43**
Natural gas (per thousand m^3)	82.16	85.83	93.40	89.47	**97.94**

One cubic metre (m^3) is equal to approximately 6.3 barrels or 35.3 cubic feet.

(1) Gross reserves and production include only the amount directly owned, produced and sold by the company before deducting the shares of mineral owners or governments, or both. Net reserves and production exclude these shares.

(2) The Montreal refinery suspended operations in October, 1983. The calculation of capacity utilization for 1983 excludes the Montreal refinery.

Sales volumes	1980	1981	1982	1983	**1984**
Petroleum products (thousands of m^3/d) (1)					
Gasolines	25.4	24.2	22.4	21.9	**20.7**
Jet fuels	4.0	4.5	4.3	3.7	**4.5**
Heating fuels	9.6	7.8	7.4	6.6	**5.7**
Diesel fuels	12.1	12.8	11.5	11.3	**12.0**
Heavy fuel oils	6.4	6.6	5.3	4.1	**3.7**
Liquid petroleum gas	4.5	4.2	4.2	3.4	**3.1**
Other products	3.8	3.6	3.2	3.4	**3.3**
Total petroleum products	65.8	63.7	58.3	54.4	**53.0**
Total domestic sales of petroleum products (percent)	96.5	96.0	95.5	93.8	**92.3**
Chemicals (thousands of tonnes per day)					
Petrochemicals	2.9	3.0	2.5	2.4	**1.9**
Agricultural chemicals	1.9	2.1	1.8	2.6	**3.9**
Thermal coal production (millions of tonnes annually) (1)	–	0.4	1.0	1.0	**1.3**
Employees					
Number at Dec. 31 (2)	16 029	16 314	15 476	14 732	**14 331**
Total payroll and benefits (millions of dollars) (3)	594	691	814	825	**854**
Payroll and benefits per employee (dollars) (4)	33 700	36 900	43 200	46 500	**49 800**

One cubic metre (m^3) is equal to approximately 6.3 barrels or 35.3 cubic feet. One tonne is equal to approximately 1.1 short tons or 0.98 long ton.

(1) Volume data exclude sales attributable to purchase/sale agreements (see notes 1 and 3 to the audited financial statements).

(2) The number of employees at Dec. 31 includes only full-time employees.

(3) Total payroll and benefits includes both the company and its share of the Syncrude joint venture payroll and benefit costs.

(4) Payroll and benefits per employee include only those for full-time Imperial employees divided by the monthly average number of full-time Imperial employees.

Management discussion and analysis

Imperial's consolidated statements report the combined results of all the company's operations. The principal business segments are natural resources, petroleum products and chemicals. Each of these segments reports to the chief executive through a member of Imperial's senior management—a director who is responsible for the segment's operations.

Consolidated earnings from operations were $533 million in 1984, an increase of $201 million or 61 percent from $332 million in 1983. Earnings were $289 million in 1982.

No unusual items occurred in 1984, and total earnings were $533 million. When the unusual items reported in note 6 to the financial statements on page 33 are included, total earnings were $290 million in 1983 and $267 million in 1982. Earnings per share were $3.32 in 1984, up from $1.83 in 1983 and $1.70 in 1982. Dividends paid in 1984 were $1.45 per share, up from $1.40 per share in both 1983 and 1982.

Segment information

Natural resources

Earnings from natural resources increased 19 percent in 1984 to $324 million from $272 million in 1983 (1982—$120 million), and the return on average capital employed improved somewhat to 14.3 percent in 1984 from 13.1 percent in 1983 (1982—5.9 percent). The improvement was primarily due to a substantial increase in production of heavy oil at the Cold Lake pilot plants, investment credits associated with capital expenditures at Cold Lake, and lower exploration costs. Partially offsetting the improvements, Syncrude earnings and production of upgraded crude oil declined as the result of a fire in August, but normal operation resumed in December. Results for conventional oil and gas operations were about the same as in 1983; the effect of development drilling programs plus marginal improvements in prices and royalties combined to offset declining reservoir productivity.

Total capital and exploration expenditures were $511 million in 1984, compared with $425 million in 1983 and $399 million in 1982. Capital expenditures on facilities to increase or maintain production of conventional crude oil and gas were $209 million, compared with $246 million in 1983 and $206 million in 1982. Capital expenditures on facilities to increase or maintain heavy-oil production at Cold Lake and Syncrude were $231 million, compared with $102 million in 1983 (1982—$42 million). The company spent $48 million exploring for conventional oil and gas in 1984, close to the $47 million it spent in 1983 (1982—$93 million).

Petroleum products

In 1984 petroleum product operations recovered to 1982 levels of profitability. Earnings increased to $146 million from $61 million in 1983 (1982—$146 million), raising the return on average capital employed to 5.8 percent in 1984 from 2.4 percent in 1983 (1982—5.9 percent). There was some price improvement in 1984 and the decline in market demand slowed in comparison with prior years. The refinery network contributed to improvements by producing an increased proportion of higher-value products and reducing energy consumption. Higher rates of refinery-capacity utilization resulted, in the East, from the 1983 suspension of operations at the Montreal refinery and, in the West, from extra processing for another company and new markets. An increase in the Petroleum Compensation Charge resulted in inventory profits in 1984, exaggerating the change in earnings from 1983, when a reduction in the charge caused inventory losses.

Capital expenditures for marketing increased 80 percent to $83 million in 1984, primarily to enhance the services, facilities and image of the service-station network. After completion of major refinery improvements in prior years, capital expenditures for refining declined to $46 million in 1984 from $108 million in 1983 and $301 million in 1982.

Chemicals

Chemical results improved with earnings of $22 million, compared with losses of $10 million in 1983 and $1 million in 1982. Return on average capital employed was 2.1 percent, compared with negative returns in 1983 and 1982 of 0.9 percent and 0.1 percent respectively. The improvement was mainly due to agricultural chemicals having higher prices, increased domestic sales and exports to both traditional and new markets, as well as higher margins from lower feedstock costs and more efficient production after the completion of new facilities at Redwater in 1983. Petrochemical earnings were at break-even, down slightly from 1983, as international economic conditions continued to result in depressed volumes and prices. Those conditions included surplus production capacity, slow economic recovery outside Canada and the United States, and a disadvantage in feedstock costs, which increased under domestic regulation while stable or falling in other major producing countries.

Total capital expenditures in 1984 were $23 million, compared with $109 million in 1983 and $368 million in 1982. The decline reflects the completion of major projects in prior years at Sarnia and Redwater.

Liquidity and capital resources support investments

After changes in operating working capital and payment of dividends by Imperial, internal funds generated were $708 million, compared with $714 million in 1983 and $732 million in 1982. These funds were used mainly to finance capital and exploration programs, which totaled $679 million in 1984, $699 million in 1983 and $1134 million in 1982. The 1984 programs were less than anticipated, mainly due to lower than expected costs for the company's projects at Cold Lake and Norman Wells and the deferral of some spending to 1985.

Receivables and inventories increased with higher product prices and higher raw material and operating costs. The term for turning receivables into cash was unchanged from 1983 at 37 days. The increase in inventories reflects an increase from a 70-day supply of inventories in 1983 to a 77-day supply in 1984. Offsetting the increase in receivables and inventories were increases in accounts payable resulting from increased refinery demand for crude oil in December and increased capital expenditures. Operating working capital was increased by $80 million in 1984, compared with decreases of $147 million in 1983 and $9 million in 1982.

In 1984 no long-term debt was issued. Imperial issued $125 million in long-term debt in 1983 and none in 1982. At Dec. 31, 1984, debt was 19.8 percent of shareholders' equity, a decrease from 21.5 percent at Dec. 31, 1983 (1982–19.3 percent).

In October, 1982, the company introduced the Imperial Oil Limited Dividend Reinvestment and Share Purchase Plan, which raised $67 million in 1984 (1983–$52 million; 1982–$7 million). The plan is described in note 13 to the financial statements on page 35.

Funds available at the end of the year were $510 million, compared with $422 million in 1983 and $285 million in 1982. In addition to these funds, Imperial's unused lines of credit with five Canadian banks amounted to $590 million.

Reported earnings are not adjusted for inflation and changes in prices. A report on those effects is shown on pages 46 and 47.

Presentation of financial statements

The financial statements of the company have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada. These principles conform in all material respects to those in the United States except for the following:

	1980	1981	1982	1983	**1984**
					millions of dollars
Increase (decrease) in net earnings with United States GAAP, due to					
Capitalized interest (1)	–	3	21	21	**24**
Foreign exchange (2)	5	(1)	(10)	(4)	**(19)**
Earnings per share					dollars
Accounting principles of Canada	4.71	2.96	1.70	1.83	**3.32**
United States	4.74	2.96	1.77	1.94	**3.35**

(1) Interest expense related to major construction projects is not required to be capitalized in Canada, as it is in the United States.

(2) Long-term liabilities in foreign currencies have been translated at the rates of exchange prevailing on Dec. 31. Exchange gains and losses arising on translation of long-term debt are amortized over the remaining term of the debt. In the United States the practice is to include the gains and losses arising from this translation in the earnings for the period in which they arise.

Although the following methods of disclosure in the financial statements differ between Canada and the United States, they do not affect the amounts shown as net earnings:

(a) Under U.S. GAAP the unusual items described in note 6 to the financial statements would be reported in the consolidated statement of earnings before "earnings before taxes and levies" and would not be shown net of the applicable income taxes.

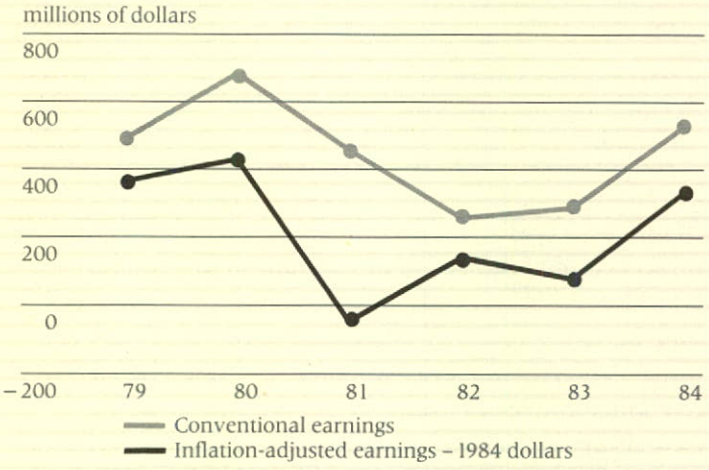
(b) Because of the tax structure for the Canadian oil and gas industry, the company reports all taxes and levies shown in note 5 as a separate item in the consolidated statement of earnings. The general practice in the United States is to disclose earnings before income taxes and to report income taxes as a separate item.

International accounting standards

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards.

Accounting for the effects of inflation and changing prices

Conventional accounting practices and published reports reflect financial results from prices and costs in effect at the time the underlying transactions occurred. This is known as the "historical cost" approach. However, this approach does not account for the fact that prices change and the purchasing power of money diminishes during periods of inflation. The six-year chart below traces Imperial's net earnings with both the historical-cost approach and the company's inflation-adjusted approach.



Interpretation of results

An analysis of earnings under the historical-cost approach shows a rise in earnings in 1980. This was caused by an improvement in market conditions, resulting in sales increases,higher margins, inventory profits arising from increases in the price of crude oil,and an $81-million unusual item. In 1981 and 1982, earnings were lower, due to the economic recession and the negative impact of the National Energy Program, which particularly affected natural-resource earnings. In 1983, crude-oil price increases, successful heavy-oil operations and lower royalty rates caused earnings to improve in the natural-resource segment, while other segments' performances were still held back by the recession. Earning increases in 1984 reflect improvements in all segments of the company, especially in petroleum products, due to improved markets, prices and efficiencies, and in chemicals, due to increased sales of fertilizers.

Inflation-adjusted earnings (lower line in the graph) were consistently lower from 1979 to 1984, revealing a different pattern from earnings calculated under conventional accounting methods. The profit in 1980 was significantly dampened under inflation-adjusted results, primarily due to the elimination of inventory profits. In 1981 the negative impact of the economic recession and the National Energy Program was more severe than was apparent from conventional results. Conversely, the 1982 adjusted results show that the company was recovering–partly as a result of efficiencies and business adjustments to the National Energy Program–which, under the conventional- earnings system, was not evident until 1983 and 1984.

The inflation-adjusted earnings provide insight into the performance of the company after stripping away the uncontrollable economic factors of inflation and changing prices, leaving earnings that are available to shareholders after providing for the preservation of the company's financial capital.

Comparative results for 1984	Conventional	**Inflation-adjusted** Imperial method (1)
	millions of dollars	
Revenues net of expenses	2570	2570
Adjust cost of sales	—	**(50)**
Depreciation and amortization	(260)	**(550)**
Earnings before taxes and levies	2310	1970
Current taxes and levies	(1612)	(1612)
Deferred income taxes	(165)	**(30)**
Net earnings	533	328

(1) Adjustments have been rounded to the nearest $10 million.

When 1984 earnings are adjusted for the effects of inflation and changing prices, they remain below the figures reported by conventional accounting methods. The difference is attributable to three recurring items: cost of sales, depreciation and amortization, and deferred income taxes.

The cost of sales is higher under inflation-accounting than it is when the historical method is used because the replacement cost of products sold is higher.

Depreciation and amortization are also higher under inflation accounting because they are based on the cost of the company's physical assets in current (inflated) dollars. (Although there are any number of possible ways of determining how much the value of a company's physical assets has appreciated due to inflation, the company prefers that the revaluation be based on changes in the Consumer Price Index (CPI), which is an objective and widely understood mechanism.)

Imperial's deferred income taxes result, in large part, from the difference between the accounting amount of depreciation and the taxation amount. Inflation-adjusted depreciation results in a smaller difference from the taxation amount of depreciation and, therefore, a smaller amount of deferred income tax.

The interpretation of results presented above compares the financial results under conventional historical-cost accounting with those determined through the application of a method the company believes adjusts for the effects of inflation and changing prices. The following results for 1984 were calculated using the somewhat different approach advocated by the Canadian Institute of Chartered Accountants (CICA).

CICA approach

Under the CICA approach, inflation adjustments result in 1984 net earnings of $96 million–a difference of $232 million relative to the company's method. The difference results from the treatment of depreciation and amortization ($97 million) and deferred taxes ($135 million) under the two methods.

The difference in depreciation and amortization arises from the CICA-recommended valuation of fixed assets on the basis of the replacement costs required to maintain productive capacity. Given the market volatility, excess productive capacity and rapid technological change that characterize today's petroleum industry, Imperial believes that many companies invest not to replace existing production capacity but to adapt their businesses to the changing market environment. This business reality leads us to favor the concept of the maintenance of financial capacity and hence the use of CPI-adjusted values rather than the CICA approach.

The second item contributing to the difference is the impact on deferred taxes of inflation-adjusted data, a matter that is not addressed in the CICA approach.

Additional 1984 information (CICA)	millions of dollars
Net assets on a current-dollar basis	
Inventory	1505
Property, plant and equipment	9450
Net assets (equity)	9082
Other supplemental information	
Total current-cost increase in inventory, property, plant and equipment	114
General inflation component	404
Decrease in current cost over the effect of general inflation	290
Gain in purchasing power of net monetary items	21

The CICA recommends including a financing adjustment calculated on two bases: the net monetary position of the company (1984–a profit increase of $7 million); and current-cost adjustments made to earnings for the year (1984–a profit increase of $27 million). While this item may have theoretical attraction, it is complex and controversial, and therefore the company does not support its inclusion in the inflation-adjusted results.

The CICA introduced its recommendations for "reporting the effects of changing prices" in 1982. It is encouraging experimentation by corporations over the next several years, with the objective of arriving at the best method of reporting the impact of inflation.

Imperial believes that the recommended CICA approach to inflation accounting is unnecessarily complex and subjective. However, the company strongly supports experimentation with accounting practices that reflect the impact of inflation on reported results. Imperial has elected to account for the effects of inflation on a basis other than that recommended by the CICA, a basis that the company finds is easier to interpret and communicate. Imperial believes it is important for the accounting model to evolve in a way that makes it more valuable to shareholders and management. Particular attention should be paid to the practical matter of ensuring that inflation accounting communicates objective, understandable information.

Supplemental information

Oil and gas exploration and production activities	Oil and gas			Syncrude			Total		
Capitalized costs (1)	1983	**1984**		1983	**1984**		1983	**1984**	
							millions of dollars		
Property costs									
Proved	140	**140**		–	–		140	**140**	
Unproved	196	**203**		–	–		196	**203**	
Producing assets	1388	**1497**		555	**575**		1943	**2072**	
Support facilities	131	**134**		–	–		131	**134**	
Incomplete construction	554	**816**		76	**91**		630	**907**	
Total capitalized costs	2409	**2790**		631	**666**		3040	**3456**	
Accumulated depreciation and amortization	759	**847**		68	**77**		827	**924**	
Net capitalized costs	1650	**1943**		563	**589**		2213	**2532**	
Costs incurred	1982	1983	**1984**	1982	1983	**1984**	1982	1983	**1984**
								millions of dollars	
Property costs	9	3	**6**	–	–	–	9	3	**6**
Exploration costs	85	44	**42**	–	–	–	85	44	**42**
Development costs	227	310	**397**	20	38	**44**	247	348	**441**
Results of operations									
Sales to customers	718	734	**748**	–	–	–	718	734	**748**
Intersegment sales	305	426	**459**	287	343	**323**	592	769	**782**
Total sales (2)	1023	1160	**1207**	287	343	**323**	1310	1503	**1530**
Production expenses	249	245	**268**	186	195	**208**	435	440	**476**
Exploration expenses	73	57	**36**	–	–	–	73	57	**36**
Depreciation and amortization	89	95	**95**	15	19	**16**	104	114	**111**
Petroleum and Gas Revenue Tax	135	152	**140**	19	18	**10**	154	170	**150**
Incremental Oil Revenue Tax	21	–	–	–	–	–	21	–	–
Income taxes	332	390	**383**	30	45	**32**	362	435	**415**
Results of operations	124	221	**285**	37	66	**57**	161	287	**342**

(1) Property costs are payments for rights to explore for petroleum and natural gas. Proved represents areas where successful drilling has delineated a field capable of production. Unproved represents all other areas. Costs of incomplete construction include drilling and other costs relating to the discovery of commercial oil and gas reserves in the Beaufort Sea/Mackenzie Delta region.

(2) Sales have been modified in accordance with note 1 to the financial statements. Sales of crude oil to consolidated affiliates are valued at market, using posted field prices. Sales of natural-gas liquids to consolidated affiliates are valued at amounts estimated to represent prices equivalent to those that could be obtained in a competitive, arm's-length market. Total sales exclude the sale of natural gas and natural-gas liquids purchased for resale.

Net reserves of crude oil and natural gas	Conventional and Cold Lake			Syncrude			Total crude oil		
Crude oil	1982	1983	**1984**	1982	1983	**1984**	1982	1983	**1984**
									millions of m^3
Net proved developed and undeveloped									
Beginning of year	93.6	94.7	**116.4**	30.8	29.8	**28.5**	124.4	124.5	**144.9**
Revisions of previous estimates and improved recovery	6.4	2.2	**9.4**	–	–	–	6.4	2.2	**9.4**
Sale of reserves in place	–	–	–	–	–	–	–	–	–
Discoveries and extensions	0.2	24.8	**24.1**	–	–	–	0.2	24.8	**24.1**
Production	(5.5)	(5.3)	**(5.4)**	(1.0)	(1.3)	**(1.2)**	(6.5)	(6.6)	**(6.6)**
End of year	94.7	116.4	**144.5**	29.8	28.5	**27.3**	124.5	144.9	**171.8**
Net proved developed									
Beginning of year	73.5	82.4	**81.0**	30.8	29.8	**28.5**	104.3	112.2	**109.5**
End of year	82.4	81.0	**84.3**	29.8	28.5	**27.3**	112.2	109.5	**111.6**

Natural gas	1982	1983	**1984**
			billions of m^3
Net proved developed and undeveloped			
Beginning of year	36.6	38.2	**36.8**
Revisions of previous estimates and improved recovery	2.6	0.1	**0.9**
Sale of reserves in place	–	–	–
Discoveries and extensions	1.0	0.4	**0.2**
Production	(2.0)	(1.9)	**(1.7)**
End of year	38.2	36.8	**36.2**
Net proved developed			
Beginning of year	28.9	30.8	**31.9**
End of year	30.8	31.9	**31.1**

All reported reserves of crude oil and natural gas are located in Canada. Reserves of crude oil include condensate and natural-gas liquids. Conventional crude-oil and natural-gas reserve estimates are determined through analysis of geological and engineering data, which has demonstrated with reasonable certainty that they are recoverable from known oil and gas fields under economic and operating conditions at Dec. 31 of each year. The calculation of reserves of crude oil at Syncrude is based on the company's participating interest in the production permit granted in October, 1979, by the province of Alberta. Reserves of crude oil at Cold Lake are those reserves estimated to be recoverable from the existing experimental pilot plants and phases one to four of the Cold Lake production project.

The net proved reserves of conventional crude oil (excluding enhanced oil recovery schemes in Alberta), oil from the Cold Lake pilots, and natural gas are determined by deducting the mineral owners' or governments' share or both and are calculated using current royalty regulations.

Net reserves of Syncrude, phases one to four of the Cold Lake production project and enhanced oil recovery schemes in Alberta are based on an estimate of the

average royalty rate over the project's life. These royalty rates may vary with production, prices and costs.

Reserves related to phases one to four of the Cold Lake production project have been recognized as proved undeveloped; the amount added in 1984 for phases three and four was 23.4 million cubic metres (1983 – phases one and two added 24.1 million cubic metres). At the end of 1984, total proved developed and undeveloped reserves for all Cold Lake operations amounted to 62.7 million cubic metres (1983 – 41.6 million cubic metres).

Reserves data do not include crude oil and natural gas discovered in the Beaufort Sea/Mackenzie Delta and the Arctic islands nor the reserves contained in the oil sands other than those attributable to Syncrude, the Cold Lake pilot area and phases one to four of the Cold Lake production project.

Natural-gas reserves are calculated at a pressure of 101.325 kilopascals at 15 degrees Celsius.

Oil and gas producing activities

Present value of estimated future net cash flows discounted at 10 percent	1982	1983	**1984**
		millions of dollars	
Future cash flows	16985	24928	**31848**
Future production and development costs	(5858)	(8042)	**(10859)**
Future Petroleum and Gas Revenue Tax	(2011)	(2995)	**(3605)**
Future income taxes	(5461)	(7712)	**(9851)**
Future net cash flows	3655	6179	**7533**
Discount of 10 percent for estimated timing of cash flows	(2318)	(3867)	**(4285)**
Discounted future net cash flows	1337	2312	**3248**

The company does not agree that the calculation of the present value of future net cash flows from estimated production of proved reserves necessarily represents future cash flows or the fair market value of conventional oil and gas properties. The valuation does not include the value of exploratory properties and probable reserves and does not provide for the deduction of exploration expenses, amortization of land acquisition costs and depreciation of capitalized producing assets. It also does not include anticipated future prices for oil and gas and anticipated increases of development and production costs. The valuation excludes the company's activities related to extraction and upgrading of crude oil from Syncrude. In the company's opinion, the method of calculating the data is not reliable and the values may not provide a basis for meaningful analysis. Imperial cautions readers about its use.

Estimated discounted future net cash flows are computed by applying the prices on Dec. 31 of crude oil, including condensate and natural-gas liquids, and natural gas to the estimated future production of proved oil and gas reserves, less the estimated future production and development costs.

Estimated future income taxes are computed by applying the current statutory income-tax rates to the estimated taxable income for each year. Taxable income is based on estimated future net revenues adjusted to take into account differences from standard accounting practices permitted under income-tax regulations in effect at the end of the year. The Petroleum and Gas Revenue Tax is calculated by applying the statutory rate as at Dec. 31.

Summary of changes in present value of estimated future net cash flows	1982	1983	1984
		millions of dollars	
Balance at beginning of year	824	1337	**2312**
Changes resulting from:			
Sales and transfers of oil and gas produced, net of production costs	(779)	(864)	**(914)**
Net changes in prices, development costs and production costs (1)	834	1864	**258**
Extensions, discoveries, additions and improved recovery, less related costs (2)	14	364	**659**
Development costs incurred during the period	223	309	**479**
Revisions of previous quantity estimates (3)	423	47	**266**
Accretion of discount (4)	316	453	**631**
Net change in Petroleum and Gas Revenue Tax (5)	(313)	(365)	**(248)**
Net change in income taxes (6)	(275)	(801)	**(858)**
Change in production pattern (7)	70	(32)	**663**
Net change	513	975	**936**
Balance at end of year	1337	2312	**3248**

(1) Net changes in prices and costs reflect the increases in prices for crude oil, natural gas and natural-gas liquids during each year, less related increases in development and production costs.

(2) Increases in proved reserves resulting from extensions, discoveries, additions and improved recovery represent the present value of estimated future net revenues, less estimated future development and production costs. The 1984 increase was primarily due to the recognition of reserves related to the Cold Lake production project phases three and four, and the Judy Creek "A" miscible flood.

(3) In 1984 an upward revision of $266 million resulted primarily from royalty-rate reductions associated with provincial incentives given for new oil production and enhanced oil recovery schemes.

(4) Accretion of discount is due to an increase in the estimated present value because realization of future net cash flows occurs one year sooner.

(5) The net change in the Petroleum and Gas Revenue Tax is calculated by applying the current tax rate to the estimated present value of future income from net operating revenue at the end of the year and deducting the amount similarly computed at the beginning of the year. At Dec. 31, 1984, the tax was 12 percent of income from net operating revenue related to production of oil and gas, as specified in the National Energy Program. Accordingly, this charge is considered a production tax and is shown as a reduction of net revenues.

(6) The net change in income taxes is computed by applying current statutory tax rates to the estimated present value of future taxable income to be generated from proved reserves producing at the end of the year and deducting the amount similarly computed as of the beginning of the year.

(7) Changes in production patterns result primarily from revisions to the timing of future production.

Shareholder and investor information

Share ownership, trading and performance	1980	1981	1982	1983	**1984**
Share ownership, Class A and B					
Average number outstanding, weighted monthly (thousands)	144 880	157 034	157 328	158 472	**160 376**
Number of shares outstanding at Dec. 31 (thousands)	156 932	157 182	157 760	159 590	**161 575**
Shares held in Canada at Dec. 31 (percent)	21.4	24.3	26.0	26.8	**26.9**
Number of shareholders at Dec. 31					
Total shareholders	48 442	46 849	44 691	41 571	**37 237**
Registered in Canada	41 064	40 669	39 289	36 926	**32 995**
Shares traded, Class A (thousands)	43 441	22 498	21 187	19 516	**23 604**
Share prices, Class A					dollars
High	57½	38¼	33¼	41¼	**45½**
Low	30⅜	24½	19⅝	26½	**33⅝**
Close at Dec. 31	32⅞	25½	28¾	37⅛	**42⅜**
Earnings per share					
Earnings from operations	4.15	2.96	1.84	2.09	**3.32**
Net earnings	4.71	2.96	1.70	1.83	**3.32**
Return on average shareholders' equity (percent)	21.9	11.9	6.6	7.0	**12.1**
Price/earnings ratio, Class A at Dec. 31	7.0	8.6	16.9	20.3	**12.8**
Dividends					
Total paid (millions of dollars)	201	220	220	222	**233**
Per share (dollars)					
Cash	1.40	1.40	1.40	1.40	**1.45**
Stock	1.40	1.40	1.40	1.40	**1.45**
As a percentage of net earnings	30	47	82	77	**44**

Quarterly financial and stock-trading data	1983 three months ended				**1984** three months ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Financial data								millions of dollars
Operating revenues (1)	1824	2035	2182	2163	**1944**	**2141**	**2140**	**2223**
Investment and other income	25	28	27	28	**37**	**45**	**41**	**44**
Total revenues	1849	2063	2209	2191	**1981**	**2186**	**2181**	**2267**
Expenses, including taxes and levies (1)	1788	1991	2116	2085	**1886**	**2060**	**2038**	**2098**
Earnings from operations	61	72	93	106	**95**	**126**	**143**	**169**
Unusual items	(70)	(6)	–	34	**–**	**–**	**–**	**–**
Net earnings	(9)	66	93	140	**95**	**126**	**143**	**169**
(1) Previously reported revenues and purchases have been modified as described in notes 1, 2(b), 2(c) and 3 to the audited financial statements. The net reductions to both revenues and expenses included above are:	123	139	192	261	**237**	**231**	**284**	**328**
Per-share information								dollars
Earnings from operations	0.39	0.45	0.59	0.66	**0.60**	**0.78**	**0.89**	**1.05**
Net earnings	(0.06)	0.42	0.59	0.88	**0.60**	**0.78**	**0.89**	**1.05**
Dividends (declared quarterly)	0.35	0.35	0.35	0.35	**0.35**	**0.35**	**0.35**	**0.40**
Share prices (2)								
Toronto Stock Exchange								
High	31⅞	37½	41¼	39¼	**39⅛**	**40⅛**	**44**	**45½**
Low	26½	29⅛	35⅞	33⅞	**35**	**34½**	**33⅝**	**39½**
Close	29	35⅞	38½	37⅛	**38⅝**	**34⅝**	**43⅞**	**42⅜**
American Stock Exchange ($U.S.)								
High	25¾	30⅜	33⅜	31½	**30⅞**	**31⅜**	**33¼**	**34⅜**
Low	21½	23½	29⅛	27½	**27¾**	**26¼**	**25⅜**	**30**
Close	23⅝	29⅛	31⅜	29¾	**30¼**	**26¼**	**33⅛**	**32**
Shares traded (thousands)	4170	6103	4890	4443	**5296**	**4466**	**7282**	**6560**

(2) Share prices were obtained from stock-exchange records.

Imperial Oil stock is listed on the Montreal, Toronto and Vancouver stock exchanges and is admitted to unlisted trading on the American Stock Exchange. The high and low prices for Class A shares are based on trading on the Toronto Stock Exchange and American Stock Exchange. The number of shares traded is based on transactions on all the above exchanges. Class B shares generally trade at the same price as Class A shares.

The average number of outstanding shares included in the calculation of earnings per share is weighted on a monthly basis. As a result, the sum of the quarterly earnings per share does not necessarily equal the yearly earnings per share.

Shareholder and investor information

General summary of tax consequences affecting foreign security holders

Cash dividends paid to shareholders resident outside Canada–in the United States, the United Kingdom, France, Switzerland and most countries with which Canada has an income-tax convention–are usually subject to Canadian nonresident withholding tax of 15 percent. Class B stock dividends paid to nonresident holders of Class B shares are usually not subject to Canadian nonresident withholding tax, unless more than 10 percent of the Class B shares are owned by the shareholder alone or together with other related persons.

There is no Canadian tax on gains from selling shares or debt instruments owned by nonresidents not carrying on business in Canada.

Interest paid to nonresidents with whom the company deals at arm's length on the company's outstanding debentures issued before June 24, 1975, is subject to withholding tax. Interest paid on debentures issued subsequent to that date is not subject to withholding tax.

No estate taxes or succession duties are imposed by the government of Canada or provincial governments except the province of Quebec. In the province of Quebec, no succession duties are payable if the company's securities are physically situated outside that province and the person to whom they are transmitted is domiciled and resident outside that province.

Shareholders	Shareholders of record at Dec. 31, 1984	Registered (percent)		
		Canada	Foreign	Total
Class A	36 271	89	11	100
Class B	1 211	85	15	100

Dividend Reinvestment and Share Purchase Plan

In October, 1982, the company introduced its Dividend Reinvestment and Share Purchase Plan. The plan enables shareholders to reinvest their cash dividends in additional Class A shares at five percent less than an average market price. Shareholders may also invest between $50 and $5000 per calendar quarter in additional Class A or Class B shares at an average market price, without paying brokerage or other fees.

Directors, officers and principal operating management

as at Dec. 31, 1984

Directors

J. B. Buchanan
P. Des Marais II
A. R. Haynes
M. Kovitz
W. A. Macdonald, Q.C.
D. K. McIvor
R. B. Peterson
W. J. Young

Officers

D. K. McIvor
Chairman of the board and chief executive officer

A. R. Haynes
President and chief operating officer

W. J. Young
Senior vice-president

W. E. Beacom
Vice-president and comptroller

H. G. Jarvis
Vice-president and treasurer

G. A. Rogers, Q.C.
Vice-president and general counsel

R. J. Michaelides
General secretary

Principal operating management

Esso Resources Canada Limited

R. B. Peterson
President and chief executive officer

D. D. Lougheed
Executive vice-president

Esso Petroleum Canada

G. H. Thomson
President

Esso Chemical Canada

J. E. Akitt
President

Board of directors

The board schedules monthly meetings to consider and act on matters of significance to the corporation. These include financial and social performance, investment decisions, strategic plans, corporate policies, and other matters on which the board is legally required to act. In 1984, attendance at board meetings averaged 93 percent. The board has eight members: Mr. McIvor, Mr. Haynes and Mr. Young are employees of the company; Mr. Peterson is an employee of Esso Resources Canada Limited, a subsidiary of the company; and four have their principal employment outside Imperial. Here is a short biography of each of the non-employee directors.

Mr. Buchanan is vice-chairman of British Columbia Packers Limited, a fishing and food processing company. He is past chairman of the Fisheries Council of Canada, a director of the Fisheries Council of British Columbia, and is associated with a number of other business, community and health related organizations.

Mr. Des Marais is president of Pierre Des Marais Inc., a large printing and lithography firm. He is chairman of the executive committee of the Montreal Urban Community, and has held senior positions with various business, community and educational organizations. Mr. Des Marais also holds a number of other corporate directorships and is a former mayor of the City of Outremont.

Mrs. Kovitz is president of Murko Investments Ltd., a private company. She is a member of the Order of Canada, Chancellor Emeritus of the University of Calgary and holds a number of corporate directorships. Mrs. Kovitz has been actively associated with numerous community, health and educational organizations and is a member of the executive of the board of directors, Canadian Council of Christians and Jews, Western Region.

Mr. Macdonald is a partner with the firm of McMillan, Binch, barristers and solicitors. He is a recognized authority in the field of taxation, government-business relations and other public policy, and serves on advisory committees of the Ontario provincial government, and the C. D. Howe Institute Policy Analysis Committee. Mr. Macdonald is also a director of other corporations, as well as a number of organizations concerned with health, culture and the arts.

New director elected

Mr. Peterson was elected to the board of directors of Imperial Oil on October 1, 1984. Mr. Peterson is president and chief executive officer of Esso Resources Canada Limited. He is also a director of Interprovincial Pipe Line Limited.

Board committees

Meetings of board committees are usually scheduled on the same day as board meetings. Attendance at all board committee meetings in 1984 averaged 92 percent.

Audit committee

W. A. Macdonald, Q.C., *chairman*

The committee, composed of the four outside directors and Mr. Haynes, reviews the company's financial statements, accounting practices, and business and financial controls. It also recommends the appointment of auditors and reviews their fees. The shareholders' auditors, Price Waterhouse, attend and participate in all meetings. The committee met eight times in 1984.

Board compensation committee

P. Des Marais II, *chairman*

The committee, composed of the four outside directors and Mr. McIvor, is responsible for decisions on the compensation of senior management above the level of vice-president. It also reviews policy on corporate compensation and the process by which future managers of the company are identified and selected. The committee met six times in 1984.

Contributions committee

M. Kovitz, *chairman*

The committee, composed of the four outside directors and Mr. Haynes, examines policies and programs related to the contribution program and recommends an annual budget for adoption by the board of directors. The company's contribution program is aimed at enhancing the quality of Canadian life through support for education, health, welfare, community services, sports and culture. The committee met five times in 1984.

Nominations committee

D. K. McIvor, *chairman*

The committee, composed of the four outside directors and Mr. McIvor, recommends to the board of directors the slate of director candidates to be proposed for election by the shareholders at the annual meeting. It also recommends criteria for the selection and tenure of directors, specific director candidates, and the successor to the chief executive officer when vacancies are expected. The committee met three times in 1984.

Subsidiaries and principal investments

Subsidiary companies (a)
W. H. Adam, Ltée, Ltd.
Atlas Supply Company of Canada Limited
Building Products of Canada Limited
Byron Creek Collieries (1983) Limited
Canada Wide Mines Ltd.
Champlain Oil Products Limited
Delta Rope & Twine Limited
Devon Estates Limited
E S F Limited
Esso of Canada Limited
Esso Resources Canada Limited
The Imperial Pipe Line Company, Limited
Maple Leaf Petroleum Limited
Mongeau & Robert Cie Ltée
Nisku Products Pipe Line Company Limited
Northwest Company, Limited
107580 Canada Inc.
Pinpoint Retail Systems Inc.
Renown Building Materials Limited
Les Restaurants Le Voyageur Inc.
Servacar Ltd.
Taglu Enterprises Limited
305120 Alberta Ltd.
Winnipeg Pipe Line Company Limited

(a) See page 30, "Principles of consolidation."

Principal investments in other companies, not consolidated (b)

	Percentage of ownership
Alberta Products Pipe Line Ltd.	30.0
Interprovincial Pipe Line Limited	21.8
Montreal Pipe Line Limited	32.0
Rainbow Pipe Line Company, Ltd.	33.3
Tecumseh Gas Storage Limited	50.0
Williamsport Properties Limited	50.0

(b) See page 30, "investments."

Information for Investors

Investors may obtain information *to assist them in evaluating the company's operating performance and projects, including the annual report incorporated in Form 10-K filed with the United States Securities and Exchange Commission, from the Investor Relations Manager, Imperial Oil Limited, at 111 St. Clair Avenue West, Toronto, Canada M5W 1K3. Telephone (416) 968-4342.*

To transfer your Imperial Oil shares you may contact the head office of Imperial Oil Limited or the principal offices of our co-transfer agent, Montreal Trust Company at St. John's, Charlottetown, Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver; and Morgan Guaranty Trust Company of New York.

The annual meeting of shareholders will be held at 11:00 a.m., Tuesday, April 23, 1985, in the Canadian Room, Royal York Hotel, Toronto.

Changes of address or inquiries about shares and dividends should be sent to Investor Relations, at 111 St. Clair Avenue West, Toronto, Canada M5W 1K3. Telephone (416) 968-5076.

Pour obtenir en français les rapports de la Compagnie Pétrolière Impériale Ltée aux actionnaires, veuillez écrire à la division des Relations avec les investisseurs, Compagnie Pétrolière Impériale Ltée, 111 St. Clair Avenue West, Toronto, Canada M5W 1K3.

Imperial is an affiliate of Exxon Corporation, which owns 69.5 percent of Imperial's shares. Of the company's more than 37 000 shareholders, 33 000 are registered with addresses in Canada.

The company's head office is at 111 St. Clair Avenue West, Toronto, Canada M5W 1K3. Telephone (416) 968-4111.

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Printed in Canada
Design: Gottschalk + Ash International
Printing: Arthurs-Jones Lithographing Ltd.
Location photography: Paul Orenstein
Typesetting: Cooper and Beatty, Limited

Imperial Oil strives for excellence in all its activities. By competing aggressively but fairly, seeking new opportunities, providing quality and value in its products and services, and responding to community needs, the company serves its customers, shareholders and employees and contributes to Canada's economic growth.