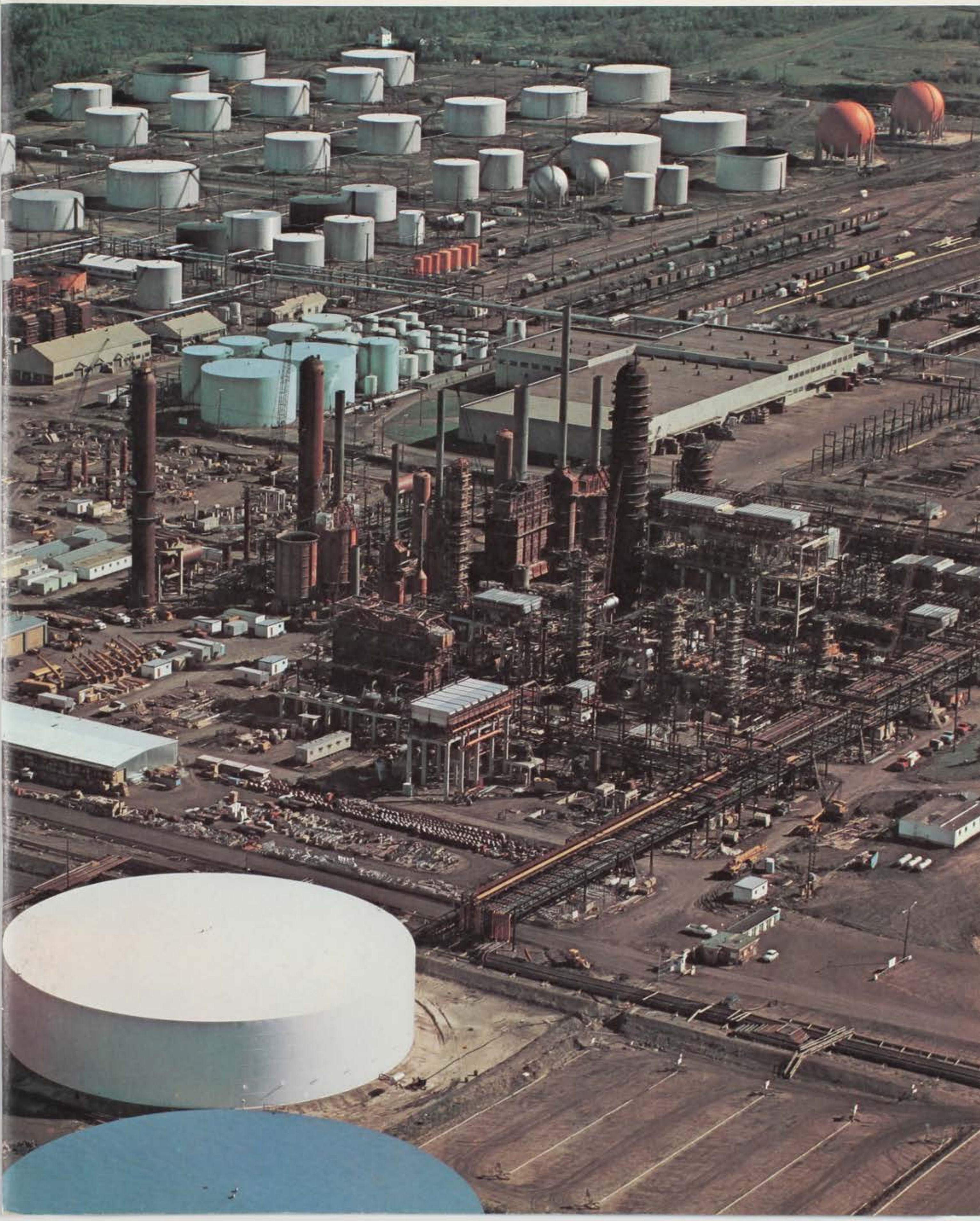
Imperial Oil Limited Annual Report 1973



Imperial Oil Limited Annual Report 1973

Directors

J. A. Armstrong
J. A. Cogan
J. W. Flanagan
J. H. Hamlin
J. G. Livingstone
D. K. McIvor
R. G. Reid
W. O. Twaits
J. W. Hamilton(1)
R. S. Ritchie(2)

Officers

Chairman of the Board
W. O. Twaits

President and Chief Executive Officer
J. A. Armstrong

Executive Vice-President
R. G. Reid

Senior Vice-Presidents
J. A. Cogan
J. W. Flanagan
J. H. Hamlin
J. G. Livingstone
D. K. McIvor
J. W. Hamilton(1)
R. G. Reid(3)
R. S. Ritchie(2)

Vice-Presidents
A. R. Haynes
D. D. Lougheed
D. H. MacAllan
A. G. Moreton
V. Sirois
G. K. Whynot
W. D. Archbold(4)

General Secretary
G. M. Henderson

Comptroller
G. R. McLellan

Treasurer
D. W. McGibbon

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

(1) *Retired April 24, 1973*
(2) *Retired January 15, 1974*
(3) *Elected Executive Vice-President April 24, 1973*
(4) *Retired August 31, 1973*

Imperial Oil Limited was incorporated under the Canada Joint Stock Companies Act, 1877 on September 8, 1880. Its head office is at 111 St. Clair Avenue West, Toronto, Ontario, M5W 1K3.

Imperial Oil Limited shares may be transferred at the following offices: head office of Imperial Oil Limited; principal offices of Montreal Trust Company at St. John's, Nfld., Charlottetown, P.E.I., Halifax, N.S., Saint John, N.B., Montreal, Que., Toronto, Ont., Winnipeg, Man., Regina, Sask., Calgary, Alta., Vancouver, B.C.; Bankers Trust Company, New York, N.Y.

The annual meeting of shareholders will be held at 11:00 a.m., Monday, April 22, 1974, in the Canadian Room, Royal York Hotel, Toronto, Ontario.

Cover: aerial view of Imperial's new 140,000-barrels-per-day refinery at Strathcona, near Edmonton. The refinery's first process units will come on stream late in 1974

Contents

Subsidiary Companies

W. H. Adam, Ltée, Ltd.
Albury Company Limited
Allied Heat and Fuel Limited
Archibald Fuels Limited
Atlas Supply Company of Canada Limited
Bourque Brothers Limited
Building Products of Canada Limited
Centres Citadelle Limitée/Citadel Centres Limited
Champlain Oil Products Limited/
Produits Pétroliers Champlain Limitée
Delta Rope & Twine Limited
Devon Estates Limited
E S F Limited
Esso of Canada Limited
Donat Grandmaitre Limited
Hall Fuel (1965) Limited
Hi-Way Petroleum Ltd.
Home Oil Distributors Limited
Imperial Oil Developments Limited
Imperial Oil Enterprises Ltd.
Imperial Oil of Canada Shipping Company Limited
The Imperial Pipe Line Company, Limited
Ioco Townsite Limited
Lou's Service (Sault) Limited
Maple Leaf Petroleum Limited
Midwest Fibreboard Ltd.
Mongeau & Robert Cie Ltée
James Murphy Fuel Oil Company Limited
Nisku Products Pipe Line Company Limited
Northwest Company, Limited
Oval Natural Gas Company Limited
J. P. Papineau Ltée/Ltd.
Poli-Twine Corp. Ltd.
Polybottle Limited
Renown Building Materials Limited
Les Restaurants Le Voyageur Inc.
Robbins Floor Products of Canada Ltd.
Seaway Bunkers Limited
Servacar Ltd.
Stanmount Pipe Line Company
Transit Company, Limited
Western Oil & Trading Company Limited
Winnipeg Pipe Line Company Limited

Principal Investments and Percentage Interest

Interprovincial Pipe Line Limited 32.8%
Montreal Pipe Line Company Limited 32%
Rainbow Pipe Line Company, Ltd. 33.3%
Tecumseh Gas Storage Limited 50%
Trans Mountain Pipe Line Company Ltd. 8.6%

Financial and Operating Highlights

Financial*	1973	1972
	millions of dollars	
Earnings	$ 228	157
Shareholders' dividends	104	77
Revenue from all sources	2,648	2,104
Capital and exploration expenditures	333	259
Taxes charged against income	250	172
Total taxes generated	553	431
	dollars	
Earnings per share	$ 1.76	1.22
Dividends per share	.80	.60
	percentages	
Earnings change from previous year	45.4	11.1
Earnings as a percentage of		
shareholders' investment	18.5	13.9
capital employed	14.5	11.1

*1972 restated for change to equity accounting

Operating	1973	1972
	thousands of barrels per day	
Petroleum product sales	449	417
Crude oil processed at refineries	441	399
Crude oil and natural gas liquids		
gross production	345	262
net production	275	224
Natural gas sales (millions of cubic feet per day)	480	425
Gross proved reserves **		
crude oil and natural gas liquids (millions of barrels)	1,338	1,387
natural gas (billions of cubic feet)	2,868	3,060

**Excludes Beaufort Basin discoveries

Gross revenues generated by Imperial Oil Limited and their distribution*

	1973	1972
	millions of dollars	
Gross revenues from operations (including taxes collected for governments)	$2,951	2,363
Operating costs and expenses (excluding taxes and other payments to governments)	2,086	1,735
	865	628
Deduct:		
Provincial road and other taxes	287	259
Income taxes	145	91
Federal sales tax	70	59
Property and other taxes	24	22
Alberta reserves tax	11	–
Crude oil export tax	16	–
Crown royalties and other like payments	84	40
	637	471
Earnings	228	157
Less dividends	104	77
Earnings available for reinvestment	124	80
Add:		
Operating items not requiring an outlay of cash	124	89
Non-operating receipts and payments	21	32
Used for capital expenditures	269	201

*1972 restated for change to equity accounting

Furnace fuel delivery to a pre-Confederation house near Stouffville, Ont., during the 1973-74 heating season

Report to the Shareholders

1973 Earnings

The earnings of Imperial Oil Limited in 1973 were $228 million, an increase of $71 million over 1972. The higher earnings were due to increased production and sale of crude oil and of petroleum and chemical products. Firmer prices played a part as well, although in some areas they did not keep pace with rapidly increasing costs.

Canada's Energy Outlook

The year 1973 was one of great turmoil in the world-wide energy industry, and Canada has felt the effects. Curtailed crude production in some Arab countries and a tight world-wide refinery capacity combined to limit Canada's normal oil imports to the eastern part of the country, and this shortage was offset by supplies from western Canada via the Great Lakes and ocean tankers from Vancouver. In Ontario, tight refinery capacity threatened the supply of gasoline and home heating oils refined from Canadian crude.

On Sept. 4, 1973, the federal government imposed a voluntary freeze on most petroleum product prices, and later placed an export tax on crude oil, limiting Canadian crude prices to levels well below international prices.

Beyond this climate of uncertainty looms a greater question: how can Canada develop its large energy resource potential in a way that will ensure adequate supplies for the future? Canada has large potential reserves of fossil fuels — conventional oil and gas, tar sands, heavy oils and coal. They are estimated to be equivalent to about 1,000 billion barrels of oil, enough to supply Canada's domestic needs and export opportunities well into the era when such virtually inexhaustible sources as nuclear fusion or the sun itself will supply all the world's energy needs.

But until that era arrives, Canada — like the rest of the world — will depend largely on fossil fuels. For the foreseeable future, the burden will fall primarily on oil and gas. Canada's proved reserves amount to some 10 billion barrels of oil and natural gas liquids and about 53 trillion cubic feet of gas. Production from these reserves was about two million barrels of crude oil and natural gas liquids per day and six billion cubic feet of gas per day in 1973.

Within the next 10 years, production rates from existing reserves in western Canada will be inadequate to supply markets now being served, and new sources of supply must be ready to start delivering energy when this decline begins. The sources are available. They include significant new reserves of natural gas that have been found in the Canadian Arctic. A pipeline up the Mackenzie Valley to carry them to southern markets is environmentally feasible and could be economically justifiable, particularly if it also carried gas from the discoveries at Prudhoe Bay in Alaska. Applications to construct this pipeline will be made to government bodies in 1974.

Oil discoveries have been made in the Arctic, and the company is continuing its search in this frontier region. Another potential source of hydrocarbons is under the sea within the Canadian continental margin. Discoveries of both oil and gas have been made in the Atlantic and, as in the Arctic, the search is continuing in this frontier.

One of the largest known sources of fossil fuel in the world is the Athabasca tar sands. Only part of this deposit can be produced by mining, but even this fraction is conservatively estimated to hold 65 billion barrels of recoverable oil — more than six times Canada's present reserves of conventional crude oil. A plant located there was producing oil at the rate of 50,000 barrels per day in 1973. Imperial is a participant in Syncrude Canada Ltd., a company that is planning a tar sands plant at a cost in excess of $900 million, which is scheduled to go on stream in 1977, with an eventual capacity of 125,000 barrels of synthetic oil per day.

At Cold Lake, Alta., Imperial has been researching ways to recover heavy, viscous oil since 1964, with some success, and an expanded pilot plant costing approximately $14 million is now under construction as the research continues.

This country also has enormous reserves of coal, estimated to contain the energy equivalent of more than 400 billion barrels of oil, and the equivalent of at least another 24 billion barrels in proved reserves of uranium.

In short, Canada has bountiful reserves of potential fuels, more than enough to meet foreseeable demands. But the question remains: can they be developed to produce enough energy in time to meet our needs?

This is a question with three parts, and the first part involves price. Compared with the past, the sources of our future energy supplies — the Arctic and Atlantic frontiers, the tar sands, the heavy-oil deposits and coal — are either geographically more remote or technologically more demanding, or both. The costs of finding, developing, producing and transporting frontier hydrocarbons will be far greater than the costs for Prairie oil and gas. The costs of mining the tar sands, extracting their oil, then replacing the sand, are going to be high. At Cold Lake, the underground rock formations containing the heavy oil must be heated to make their oil thin enough to flow to the wells — a very costly process. Making coal environmentally acceptable as well as easily transportable involves large capital investments. All these things can be done, but they point inevitably to higher costs — very much higher than Prairie oil. There is no avoiding this unpleasant fact: the days of cheap energy are over.

Higher prices cannot be side-stepped, certainly not if Canada turned away from developing its own high-cost reserves to rely on imported oil, since the constantly increasing world demand for oil and gas is already placing a much greater value on these commodities. When Canada's higher-cost energy sources come into production, they will be competitive in cost with world-wide sources of energy and, being indigenous, they will provide a security advantage as well as an economic one.

Another part of the question is markets, a point that is particularly pertinent to the supply of Arctic oil and gas. To the cost of discovering, developing and producing the hydrocarbon reserves of that area must be added the very large cost of transporting them to markets. Only large volumes can justify such capital costs, and this depends on large markets. Canadians are fortunate in having a very large market available in the United States for hydrocarbons surplus to domestic needs. This market can provide the scale necessary to supply our own demands. Without this added volume, it would be a long time before Arctic gas, for example, could compete for a share of the Canadian energy demand.

There is a third force that has an effect on the availability of new sources of energy — the extent of government "take" in such aspects as royalties, taxes, disposition of corridor acreage (the land a permit holder must ultimately give back to the Crown, or upon which he must pay a higher royalty) and the like. Taken together, they can constitute a large disincentive to exploration and development. Like all costs, they have a direct bearing on the feasibility of an operation. In frontier exploration, in the construction of a tar sands extraction plant, in the development of heavy-oil producing facilities, capital cost is the major factor that determines the feasibility of a venture. In the case of Arctic exploration, the high cost imposed by the distance, the environment, and the transportation facilities limits development only to very large discoveries with high productivity. Every increase in cost increases the minimum size of an economic discovery. The extent of government take, as an element of cost, affects the size of a discovery that can be developed economically, just as price and market do. If government regulations or tax policies are uncertain or inconsistent, there is no basis for the long-term planning of human and physical resources necessary to find and develop future energy supplies.

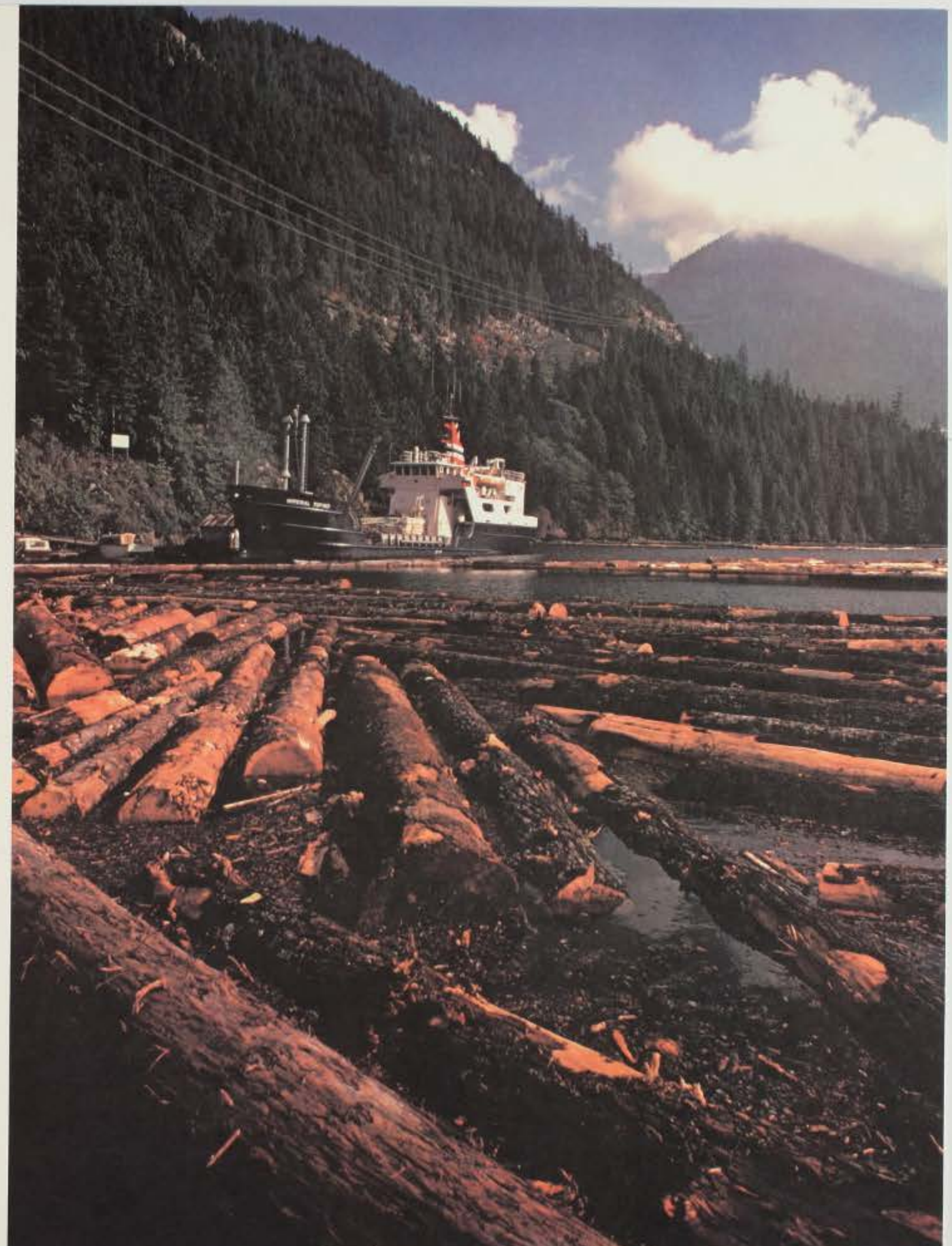
Other than by removing undue impediments, government regulations cannot do much to hasten a discovery in the frontiers or, in times like these when skilled labor and critical materials are in short supply, accelerate the construction of a tar sands extraction plant. But they can undermine the confidence of investors and reduce the pace of exploration and development by creating uncertainty about prices, markets and government take.

And the timing can be critical. It is particularly acute in the case of exploration, since no one can say in advance when or where petroleum reserves will be discovered, nor in what quantities. Imperial searched western Canada for 33 years before it discovered Leduc, the field that led the way to the major oil development in the Prairies and to Canada's present fortunate position in a world facing an energy crisis. Imperial started its current major exploration program in the Arctic in 1964, recognizing then that Canada would need very large new reserves of oil and gas, and that it would probably take years to find and develop them. After nearly 10 years and spending more than $100 million, Imperial has found some oil and made significant gas discoveries. Assuming that the necessary transport and other permits are granted without delay, gas is not likely to begin to move out of the Arctic to market before 1978 — 14 years after Imperial started exploring. The same sort of timing applies to the Athabasca tar sands plant of Syncrude Canada Ltd.: research on the project that resulted in the formation of Syncrude began in 1955; the plant cannot start production before 1977.

In the face of the impending decline of Canada's conventional reserves of oil and gas, the need for alternative supplies is clear. This is the challenge facing Imperial, facing the Canadian oil industry, indeed, facing all of Canada — to ensure an adequate and uninterrupted supply of energy at the lowest possible cost for Canadians.

It is a challenge Imperial has been meeting for more than 90 years. It will take time, money and a great deal of effort, but Imperial believes that, with public appreciation of the facts and government policies that recognize economic realities, this country will continue to have the energy it needs.

W. O. Twaits, *Chairman of the Board*
J. A. Armstrong, *President and Chief Executive Officer*



The Imperial Tofino making a delivery of products to a logging operation on Indian Arm in British Columbia

Operations Review

A company can respond effectively and advantageously to some of the forces affecting business these days, but there are other forces an operator can do nothing about. Whether they work to his benefit or not, he must comply with them. The leading sections of this review of 1973 operations describe Imperial's response to those commercial and technological forces a company can do something about; the concluding sections list some of the other factors — mainly legislative — that define and limit the operating climate.

Resource Development and Exploration

In 1973, Imperial Oil Limited spent $333 million on all capital projects and exploration activities. Exploration and production expenditures alone accounted for $128 million of this amount; a comparison of these expenditures with the company's 1973 earnings of $228 million indicates the magnitude of the effort directed toward the discovery and production of energy sources. Over the course of the year, Imperial explored for hydrocarbons in the Arctic, the Atlantic offshore area, and the mature producing regions of the Prairies and foothills. The company was engaged in research and preliminary development for a plant in the Athabasca tar sands and for the development of methods to produce the heavy oil at Cold Lake, Alta. It also explored for minerals in all regions of Canada, and sought coal deposits as well.

During the year, Imperial spent $60 million on petroleum exploration, 90 per cent of it in Canada's frontier sedimentary basins where the company believes the best opportunities exist to make major additions to Canada's energy supplies.

The largest exploration expenditure was made in the Mackenzie Delta-Tuktoyaktuk Peninsula portion of the Beaufort sedimentary basin. Ten wells were completed by Imperial in this area in 1973 at a cost of $30 million, of which one — a delineation well in the Taglu field — confirmed significant hydrocarbon reserves. The others were drilled on promising structures located and defined by geophysical surveys. Some of them had shows of hydrocarbons, but none was of commercial size.

Exploration effort is now focussed on the offshore portion of the Beaufort basin where the greatest volume of the basin's sedimentary rock is located and large discoveries are possible. Imperial began drilling in these waters in 1973 on two man-made islands. The first well — Immerk B-48 — was begun in September, 1973. The well was to have been drilled to 15,000 feet but was abandoned with minor gas shows at 8,883 feet in December when abnormally high formation pressures made further drilling unsafe. The combined costs of building the island and drilling the well were about $9 million, an amount that highlights the financial risks of exploring for new energy supplies. Nevertheless, the island proved that the hostile waters of the Beaufort Sea can be explored, and suggests that artificial islands may be the most practical means of conducting exploration drilling in waters to at least 30 feet deep. For deeper waters, steel structures designed with sea-bed foundations may be necessary, and design studies are in progress. A second well from another artificial island — Imperial Adgo F-28 — was begun in late December. Drilling has indicated a significant thickness of gas-bearing sands. Testing of these indications will be required before gas reservoirs can be confirmed.

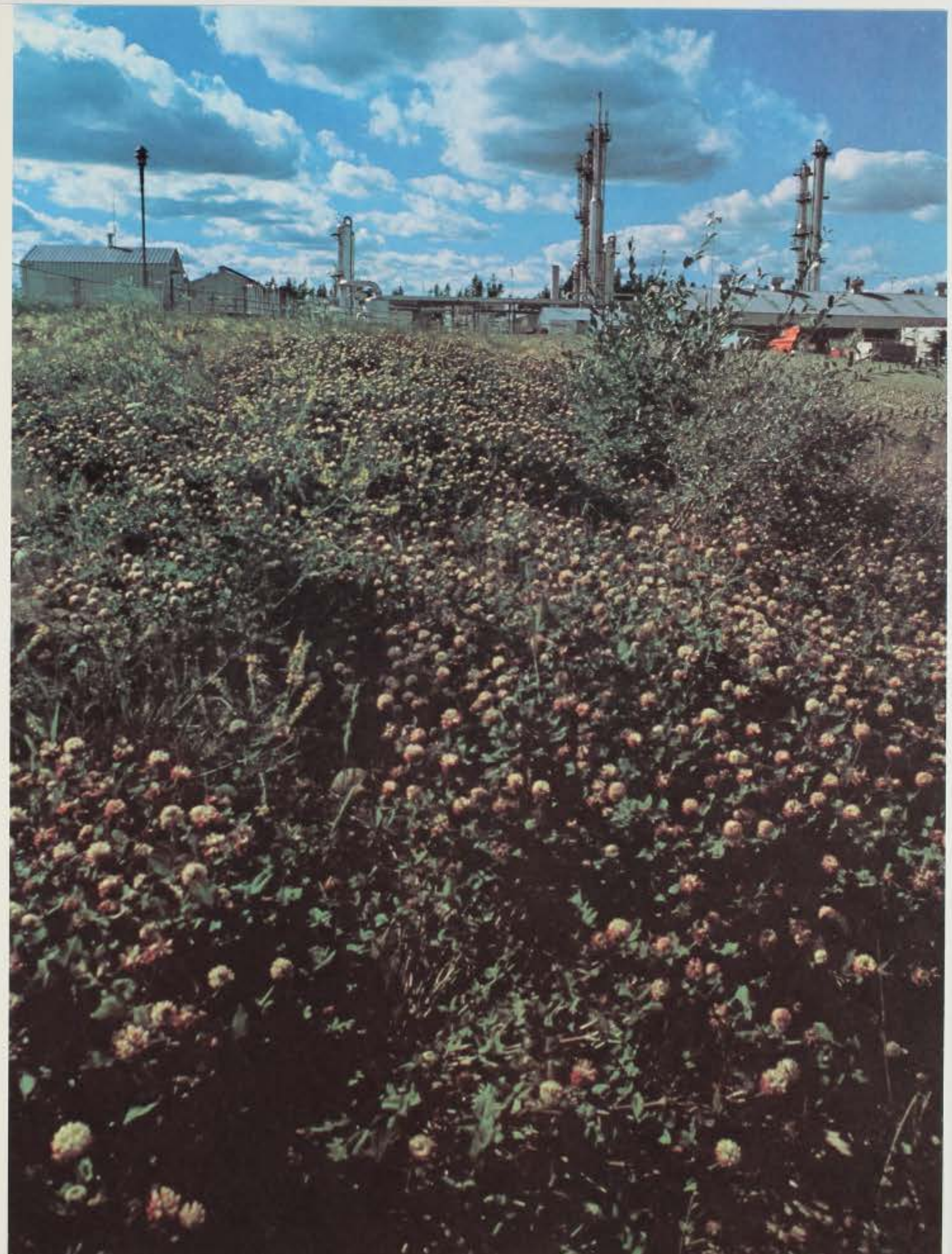
Onshore in the Beaufort sedimentary basin, exploration continued in 1973 on lands held jointly with others, resulting in two marginal gas wells. Also, "farming out" certain areas provided a more detailed evaluation of Imperial-held permits, although five wells drilled as a result of these agreements were unsuccessful in discovering oil or gas.

In the Arctic Islands, Imperial began its sixth well under a "farm-in" agreement with Panarctic Oils Ltd. The first five wells were abandoned without encountering encouraging shows of oil or gas.

In the Atlantic offshore region, Imperial reduced its interest in approximately 37 million acres of petroleum permits held with Amoco Canada Petroleum Company Ltd. on the Grand Banks of Newfoundland from 50 per cent to 33⅓ per cent early in 1973. This reduction was in return for $50 million of exploration drilling by Amoco, Skelly Oil of Canada Ltd., and Chevron Standard Limited. Ten wells were drilled and abandoned in this program during 1973. Off the coasts of Newfoundland and Labrador, Imperial continued seismic surveys on company-held permits, where the water is generally more than 3,000 feet deep, to define structures for drilling when technology becomes available.

Imperial also continued substantial exploration and delineation programs in the mature areas of Alberta, Saskatchewan and British Columbia as part of a continuing program of evaluation of some 3.5 million acres of company-held lands.

Syncrude Canada Ltd., a consortium of four oil companies formed to produce oil from the Athabasca tar sands, came to an understanding with the Alberta and federal governments in 1973 and preparatory work on the site was begun. In addition to research and other costs previously incurred of some $55 million, the project is estimated to have a capital cost of $800 million and associated pre-production expenses of $160 million. The addition of the necessary power plant and pipeline will bring the total expenditure to more than $1 billion. The rated capacity of the plant, which is scheduled to start production in 1977, will



Gas processing plant at Judy Creek, Alta. The capacity of this complex reached 205 million cubic feet per day in 1973 be 125,000 barrels per day. Imperial has a 30-per-cent interest in Syncrude, which could reduce to 24 per cent if the provincially owned Alberta Energy Company exercises its option to acquire a 20-per-cent interest in the project.

At Cold Lake, Alta., work continued on a steam injection pilot to evaluate this method of producing the area's heavy, viscous oil, which cannot be produced by conventional methods. The entire deposit, including lands held by others, may contain as much as 160 billion barrels in place. On Imperial's acreage, production of 50 barrels per day per well together with the prospects of higher crude prices were sufficiently encouraging to justify a new and larger pilot plant, which will come on stream late in 1974 and will provide a larger-scale test of ways to increase recovery. It will cost approximately $14 million.

Imperial made an important discovery of zinc and lead in the Gays River district of Nova Scotia in 1973. Diamond drilling has established mineralization over an area 12,000 feet long in widths varying from 600 to 1,100 feet. Reserves outlined to date appear to be sufficient to support a mining operation. A feasibility study is under way to determine a mining method and production rate. Imperial has a 60-per-cent interest in this venture.

The company continued to explore for base metals and uranium in eight provinces as well as the Yukon and Northwest Territories in 1973. Several areas have shown encouraging indications of mineralization, which will require more detailed examination. Exploration will be continued in these areas in 1974.

At the end of 1973, Imperial held or had applied for 249,000 acres of coal leases in Alberta, and the company was drilling to determine quality and extent of the reserves.

Arctic Gas Pipeline

Imperial Oil is one of 27 companies in the consortium Canadian Arctic Gas Study Limited, which is planning to apply for permits to build a pipeline to carry Canadian and U.S. Arctic gas to southern markets. A pipeline from Alaska and the Mackenzie Delta is estimated to cost about $5.7 billion and will have the capacity to transport four billion cubic feet of gas per day to Canadian and U.S. markets. In September, 1973, two independent consulting firms estimated the gas reserves in fields then discovered in the Mackenzie Delta at approximately seven trillion cubic feet.

The consortium has spent $50 million over a three-year period studying the Arctic environment and associated engineering problems. The studies indicate the project can be carried out with minimum disruption to Arctic wildlife and terrain. It will contribute substantially to the Canadian economy, as well as the economy of the Mackenzie River basin area. The reserves will ensure continuity of supplies to meet Canada's increasing demands.

Production

Gross production of crude oil and natural gas liquids totaled 345,000 barrels per day in 1973. This was an increase of 31 per cent over 1972 and is 16 per cent of industry production. Gross sales of natural gas totaled 480 million cubic feet per day in 1973, an increase of 13 per cent over 1972 and 7 per cent of industry sales. There were three crude oil price increases totalling 85 cents per barrel during 1973.

The increased volumes produced during 1973 were possible because of a continuing program of expansion of production facilities. These facilities will help Imperial to meet increasing demands for crude. Major expansions of field production facilities took place in 1973 at the Judy Creek, Redwater and Golden Spike fields in Alberta. At Judy Creek, the fourth jointly-owned gas processing plant was completed in October, bringing the capacity of this complex to 205 million cubic feet per day. Another plant has been started and is scheduled for completion late in 1974. A total of $43 million was invested in 1973 to increase Imperial's productive capacity in all fields.

To improve production efficiency, the company continued to enlarge its program of controlling the operation of wells by a central computer. Investment in this and other efficiency programs totaled $6 million in 1973.

Imperial's refinery at Dartmouth, across the harbor from Halifax. The company spent more than $1 million here in 1973 to complete a three-year expansion program that increased capacity to 82,500 barrels per day

Transportation

A new addition to Imperial's marine fleet — Imperial St. Clair — was christened by Mrs. J. A. Cogan, wife of Imperial Director and Senior Vice-President, Jerry Cogan, at Port Weller, Ont., in November, 1973, for delivery in the spring of 1974. This 12,600-deadweight-ton product tanker is ice-strengthened to permit a longer season on the Great Lakes, as well as occasional service as an Arctic supply vessel.

Because of greater world demand for crude oil and the shortage of ships, there was a sharp rise in world tanker rates during 1973. Although Imperial's policy of long-term chartering has done much to keep transportation costs down, these higher rates increased the company's expenses for ocean transportation by about $11 million during the year.

In the last four months of 1973, Imperial participated in an industry effort to help supply Quebec refineries with Canadian crude oil. Almost six million barrels was shipped through the Great Lakes during that period. In addition, 3,147,000 barrels of western Canadian crude oil was shipped by the oil industry to eastern Canada in tankers from Vancouver via the Panama Canal in 1973. This movement continued into 1974.

Petroleum Products

During 1973, Imperial's refineries processed an average of 441,000 barrels per day of crude, an increase of 11 per cent over 1972. This additional processing met increased market demands and provided emergency inventories of petroleum products to be used to assure our customers of supply during the heating season of 1973-74.

Despite anxieties about spot shortages, all customer demands were met in 1973. Sales of petroleum products grew by 7.7 per cent to a record 449,000 barrels per day. Prices increased during the year, fundamentally in response to higher costs. Total sales amounted to $1,316 million.

Investment in the improvement of Imperial refineries continued in 1973. The largest single project currently under way is the new $200 million, 140,000-barrels-per-day refinery at Strathcona, near Edmonton, which will replace the old refineries at Edmonton, Calgary, Regina and Winnipeg with a single plant of greater capacity that can produce the kind of products in demand today and in the future — such as gasolines compatible with the emission-control devices being built into new cars. By the end of the year, 65 per cent of the Strathcona construction program had been completed. Strathcona's

The Imperial Quebec, one of the company's three product tankers serving Atlantic coast communities, ties up at the Grenfell mission hospital dock, St. Anthony, Nfld.

utilities systems are scheduled to start operating in May, and the first process units will come on stream in the fourth quarter of 1974. During 1973's busiest construction period, 2,600 workers were employed.

In the fall of the year, Interprovincial Pipe Line Limited began construction of terminal facilities at Superior, Wisconsin, which will distribute Strathcona products to northwestern Ontario, augmenting Imperial's supply system in that area. Terminals to distribute Strathcona's products were under construction by Imperial at Edmonton, Calgary, Regina and Winnipeg, as well as a pipeline terminal at Gretna, Man., in 1973.

At the Montreal East refinery, the company spent more than $6 million in 1973 as part of a $52 million modernization program. When construction reaches a peak in 1974, some 500 people will be at work on the program, while hundreds of others will be employed by firms providing materials and services. The program is expected to be completed by 1975.

A new alkylation plant, built at a cost of $17 million, went on stream in June at Sarnia to increase the refinery's production of high-performance gasolines. Also at Sarnia, a new lubricating oil plant, completed at a cost of $30 million, began operation in June. The start-up of the plant was successful and all units continued to run well during the year.

At Ioco in British Columbia, a computerized system controlling the refinery's major equipment went into operation in 1973.

In 1973, Imperial placed increased emphasis on its program of enhancing service stations at prime sites while reducing the number of uneconomic locations. The intensive promotional environment of the past years abated in 1973, and the company reduced product advertising and promotions.

Chemicals and Building Products

The economic position of the Canadian petrochemical industry improved considerably in 1973 as worldwide product shortages increased prices from severely depressed levels. Global shortages will likely be felt for many products for some time, which should provide an opportunity for Canadian industry to generate a more acceptable return on capital invested.

Under these conditions, Imperial's chemical operations moved towards a more satisfactory earnings level in 1973. Total chemical sales reached $132 million, an increase of $33 million over 1972.

Operations at Sarnia were at capacity for most units, and record production levels were reached for many products as the result of continued efforts to expand the plants and to improve operations.

Production from the Redwater fertilizer plants rose to 619,000 tons in 1973. Increased production found a ready market in the rapidly growing demand of Prairie farmers, and sales to the farm market increased by 180,000 tons over 1972 for a total of 420,000 tons.

Sales of Building Products of Canada Limited reached a record $66 million in 1973. Raw material and operating costs were up significantly during the year, but record production levels and some improvement in prices resulted in increased earnings. A new plant is being built for the commercial production of Esfen, a proprietary roof and wall insulation with fire-resistant properties that has been developed by Building Products.

Research

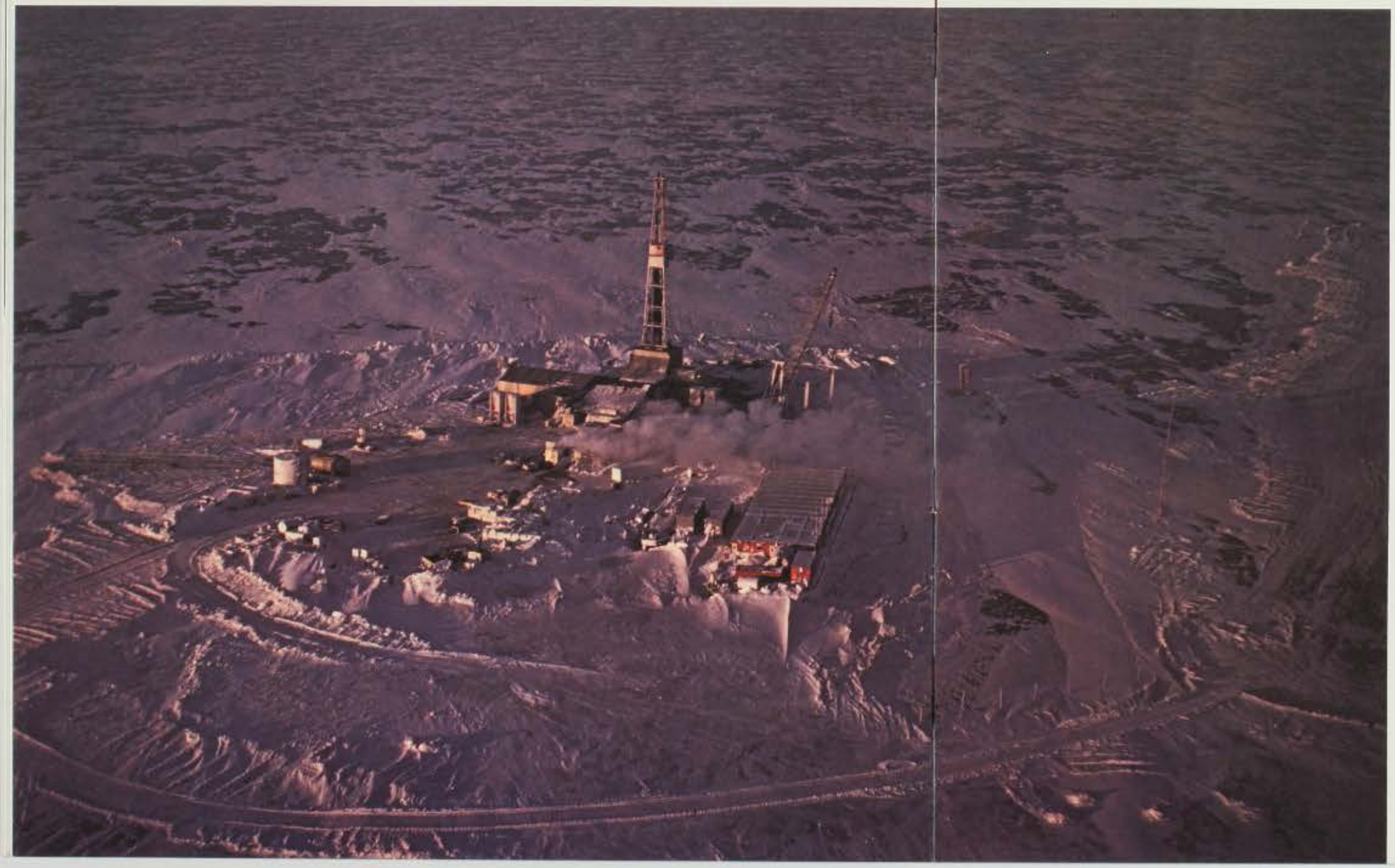
A new de-waxing technique, which will greatly simplify the manufacture of both lubricating oils and waxes, has been developed by Imperial's research department at Sarnia. Plans are under way to use the technique at Strathcona and Sarnia; it has already been put to use at two plants in the United States.

Contacts and joint activities with government technical groups, including the National Research Council, have increased. In 1973, five projects were conducted under the National Research Council's Industrial Research Assistance Program.

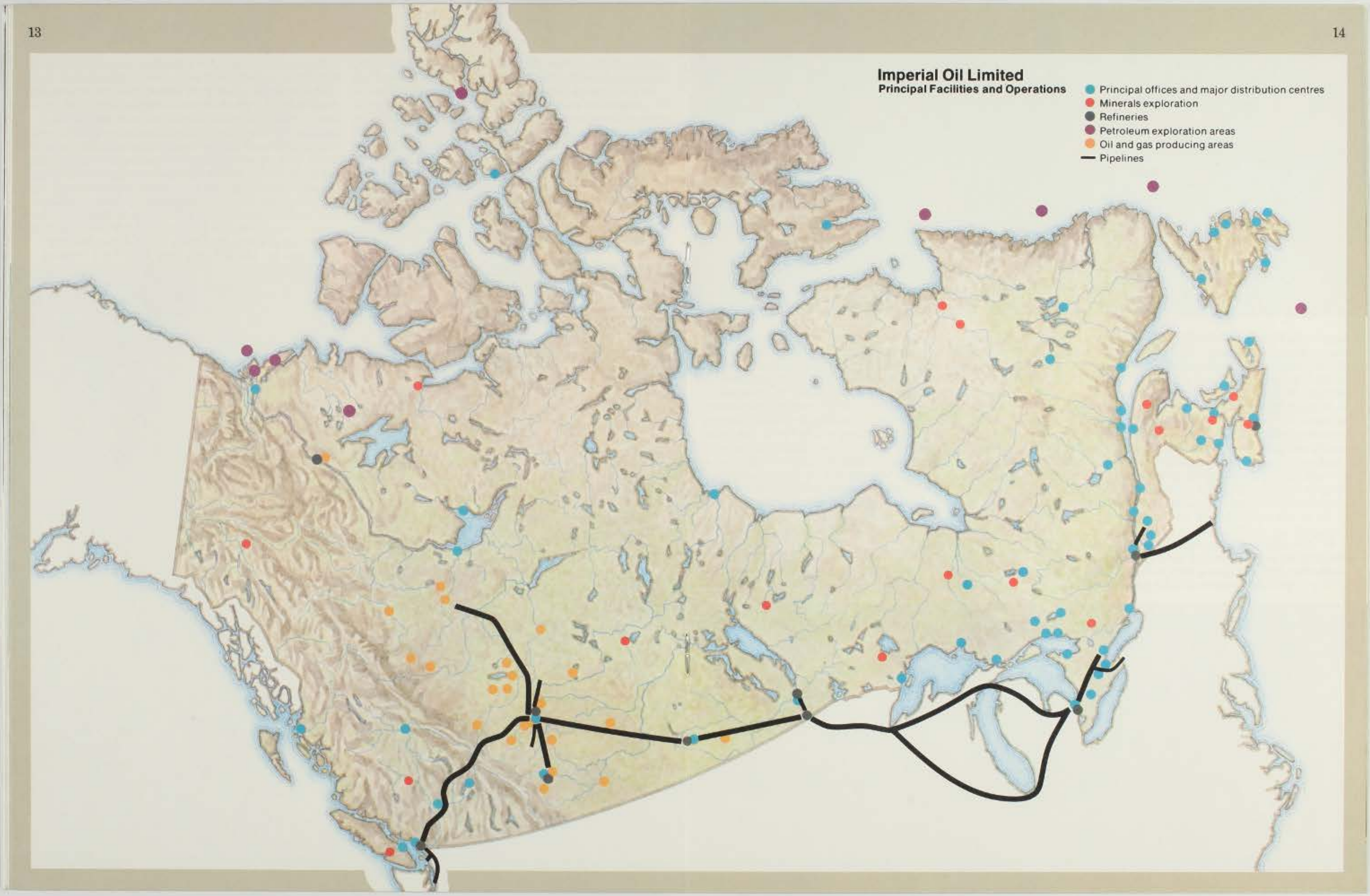
Property Development

During the year, the company's wholly-owned subsidiary, Devon Estates Limited, in conjunction with North American Life Assurance Company, completed a 10-storey office building on a site formerly occupied in part by an Esso service station in Toronto. Devon Estates is half owner of the building.

In association with Nu-West Development Corporation Ltd., Devon is developing 228 acres of former refinery lands in Calgary into residential building lots. In 1973, the first phase of this three-phase project was nearly completed and a total of 205 building lots were developed and sold. In accordance with Imperial's policy of redeveloping



Adgo F-28, the second well drilled from an artificial island in the Beaufort Sea. Drilling has indicated a significant thickness of gas-bearing sands here


Imperial Oil Limited
Principal Facilities and Operations
Principal offices and major distribution centres
Minerals exploration
Refineries
Petroleum exploration areas
Oil and gas producing areas
Pipelines

service station sites that lend themselves to more economic use, the company leased three sites in Montreal and one in Vancouver for non-petroleum redevelopment.

Environmental Protection

It is the company's policy to follow government regulations for environmental protection and to encourage the establishment of environmentally sound and technically achievable standards. In 1973, there was a significant increase in the number of environmental standards proposed or put into force by governments. Imperial assisted in the formulation of many of these standards and devoted increased effort to the planning and execution of programs to meet new regulations.

In 1973, the company spent $31 million on capital projects for environmental protection, bringing the total over the last three years to $84 million. The 1973 expenditures represent 11.5 per cent of Imperial's total capital spending for the year.

One example is the three-year modernization and environmental control program under way at Ioco refinery in British Columbia involving capital expenditures of about $12 million. Much of this program was developed by Imperial's research department with assistance from the British Columbia Research Council.

A study to assess the environmental impact of natural gas production in the Mackenzie Delta, which began in 1972, was carried on through 1973 at a cost for the year of more than $250,000. In mid-year, Imperial was joined in the work by two other companies with gas reserves in the area. This field work, together with an analysis of the environmental impact of all the facilities in this area, will be completed in 1974.

Imperial led in the formation of the Delta Environmental Protection Unit. This Mackenzie Delta co-operative has prepared an oil spill contingency plan and purchased large skimmers, jet boats, an oil containment boom and other auxiliary equipment at a cost of more than $225,000, and trained people in their use.

Above: Imperial's fertilizer plants at Redwater, Alta., produced a record 619,000 tons in 1973. Sales to the Canadian market reached 420,000 tons

Government Actions and Implications

The federal and provincial governments took many actions and announced various intentions in 1973 that affect the oil industry. In dealing with the tight supply situation, the federal government placed controls on the exports of crude oil and some petroleum products. It also instituted a voluntary price freeze on crude oil and petroleum products and placed an export tax on all crude oil exported. Support was announced for pipelines to carry western Canadian crude to Montreal and Arctic gas to southern markets, and the federal government stated its intention to create a national petroleum company. It also passed legislation to allocate petroleum products at the wholesale level and to ration them at the retail level if such actions should become necessary.

As world demand for oil increased, the flow of imported products into Canada was reduced, particularly of heating fuels into Ontario and heavy fuel oils into British Columbia, although other products and areas were also affected. The government's re-

Below: Montreal East refinery supplies the oil to fuel Ontario Hydro's heavy water plant at Douglas Point, Ont. In 1973, these 63-car unit trains made 87 trips and carried 2,350,000 barrels of the fuel

quested freeze on product prices created substantial price differences between the area comprised of Ontario and western Canada, where prices remained at the September level, and the area of Quebec and the Atlantic provinces, where prices rose in response to increased costs of imports. Continuation of the price differential could lead to a flow of products to eastern Canada from Ontario, where they are needed to meet local demand, and impede the necessary movement of products into Ontario.

Alberta raised its maximum royalty from 16⅔ per cent to 25 per cent on crude oil production from most leases effective Jan. 1, 1973. For production unaffected by the higher royalty, the government instituted an approximately equivalent reserves tax. The effect of these changes on Imperial was to increase payments to Alberta by some $22 million in 1973. Although both of these arrangements were to be in effect for five years, the Alberta government announced in late 1973 its intention to rescind the reserves tax on Crown acreage and increase the royalty further early in 1974. In addition, a significantly increased royalty for natural and residue gas, related only to price, went into effect as of Jan. 1, 1974.

On June 1, British Columbia increased the maximum Crown royalty from 16⅔ per cent to 40 per cent of production. The province created the British Columbia Petroleum Corporation, which is attempting to arrange takeover of natural gas purchasing contracts in order to assume responsibility for marketing the province's natural gas.

Effective April 1, 1973, Saskatchewan increased royalties from 16 per cent to a maximum of 25 per cent of production. In December, the province enacted legislation imposing an additional mineral tax or royalty surcharge effective Jan. 1, 1974, which can vary from month to month as international oil prices change. Essentially, the arrangement is open-ended, and at the discretion of the Saskatchewan government. It is uncertain whether this legislation is constitutionally valid. Legislation not yet in force as the year ended permits the province to fix the wholesale price for refined petroleum products in Saskatchewan.

Saskatchewan and Quebec have both set up public companies to explore for petroleum, and Nova Scotia has passed legislation to permit regulating the wholesale price for gasoline and fuel oil. Other governments and advisory bodies took actions or announced intentions that have further implications, not only for the petroleum industry, but for business generally.

Imperial agrees that some of these policies are in the public interest, such as the construction of a Mackenzie Valley gas pipeline and, for security reasons, the extension of the western Canadian crude oil pipeline to Montreal. But others do not reflect an understanding of the real problems of maintaining energy supplies for Canada and encouraging conservation through efficient use. The proposed national petroleum company, for example, will not increase the number of skilled people available to seek, discover and develop new sources of energy. The federal government is already heavily committed to petroleum exploration and development through its participation in Panarctic Oils Ltd., and Imperial believes another tax-financed entity is redundant.

Some of the concepts applied to the petroleum industry by various jurisdictions threaten the very structure of the resource industries in Canada and, in fact, of all business. In face of the crucial need for new sources of energy to meet Canadian demand, Imperial believes policies that reduce the initiative of explorers and developers can only lead in the long run to critical shortages in this country of essential supplies of energy and other materials.

As Canada's leading supplier of energy, Imperial is looked upon as a primary source of industry information, and 1973 was a year of increased activity in this area. By means of speeches by directors and senior management, messages on television, radio and in print, statements to the press, special communications to shareholders and employees, and a program of film production, publications and press releases, Imperial continued to present a wide variety of information about Imperial Oil Limited, the Canadian oil industry and the Canadian energy supply situation.

Deferred Income Tax

In an industry as complex as the oil industry, many practices and regulations are intricate and difficult to comprehend. A case in point is the effect of the so-called "deferred income tax". Few items on the balance sheet have caused more comment than this one, and it has been used as the basis for charges that companies are paying insufficient taxes.

Rapid depreciation provisions are a policy of the Canadian government, and have been the practice here — and in other countries — for many years. They apply to all businesses, large and small, and are designed to stimulate economic growth and employment. By accelerating depreciation allowances for tax purposes in the early life of an asset, cash is made available temporarily for reinvestment.

The amounts of deferred income tax accumulated by Imperial reflect the company's heavy capital expenditures which, in turn, have provided jobs for thousands of Canadians. Experience has shown that rapid depreciation, which leads to the deferred income tax item on the balance sheet, is an effective stimulant to employment.

Imperial Oil Limited
and Subsidiary Companies

Consolidated Financial Statements

For the years 1973 and 1972 together with Ten-Year Financial and Operating Summary

Auditors' Report

To the shareholders of IMPERIAL OIL LIMITED

We have examined the Consolidated Statements of Earnings and Source and Use of Funds of Imperial Oil Limited and its subsidiary companies for the year ended December 31, 1973 and the Consolidated Statement of Financial Position as at that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the results of operations and source and use of funds of the companies for the year ended December 31, 1973 and their financial position as at that date, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change to the equity method of accounting for principal investments in other companies as explained in note 1, on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants
Toronto-Dominion Centre
Toronto, Ontario
March 5, 1974

Imperial Oil Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEARS 1973 AND 1972	1973	1972
	millions of dollars	
Revenues		
Petroleum products	$1,316	1,094
Crude oil and natural gas (including sale of purchased crude: 1973—$917; 1972—$678)	946	699
Chemical and building products	198	155
Other products and merchandise	74	70
Other operating revenues	46	27
Investment and other income	68	59
	$2,648	2,104
Expenses		
Crude oil, products and merchandise purchases	$1,475	1,164
Operating and exploration expenses	299	263
Selling and administrative expenses	305	264
Depreciation and amortization	76	69
Income taxes (Note 6)	145	91
Taxes other than income taxes	105	81
Interest and discount on long-term debt	15	15
	$2,420	1,947
Earnings for the Year	$ 228	157
per share	$ 1.76	1.22

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS FOR THE YEARS 1973 AND 1972	1973	1972
	millions of dollars	
Source of Funds		
From operations (earnings plus non-cash items)	$ 352	246
Debentures issued and other long-term debt	10	60
Capital stock issued	12	7
Sales of property, plant and equipment	8	11
Decrease in other assets	5	10
	$ 387	334
Use of Funds		
Capital expenditures for property, plant and equipment	$ 269	201
Dividends	104	77
Reduction of long-term debt	7	5
	$ 380	283
Increase in Working Capital	$ 7	51

The Notes to the Financial Statements are a part of these statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 1973 AND 1972	1973	1972
	millions of dollars	
ASSETS		
Current Assets		
Cash, including time deposits	$ 60	67
Marketable securities, at the lower of cost and market	12	23
Accounts receivable	429	376
Inventories		
crude oil, products and merchandise	226	161
materials and supplies	28	24
Prepaid expenses	7	7
Total current assets	$ 762	658
Investments (Note 2)	81	74
Long-Term Accounts Receivable and Other Assets (Note 4)	61	65
Property, Plant and Equipment (Note 5)	1,228	1,043
Total Assets	$2,132	1,840
LIABILITIES AND DEFERRED CREDITS		
Current Liabilities		
Short-term notes	$ 15	18
Accounts payable and accrued liabilities	309	244
Income and other taxes payable	42	7
Total current liabilities	$ 366	269
Long-Term Debt (Note 3)	224	221
Employee Annuity and Contingent Obligations	12	12
Deferred Income Taxes (Note 6)	226	170
Total Liabilities and Deferred Credits	$ 828	672
SHAREHOLDERS' INVESTMENT		
Capital Stock (Notes 7 and 12)		
Authorized—160,000,000 shares of no par value		
Issued 1973—130,117,139 shares; 1972—129,520,215 shares	$ 287	275
Earnings Retained and Used in the Business		
At beginning of year, as previously reported	$ 844	770
Adjustment for change to equity accounting (Note 1)	49	43
As restated	$ 893	813
Earnings for the year	228	157
Dividends (per share, 1973—80¢; 1972—60¢)	(104)	(77)
At end of year	$1,017	893
Total Shareholders' Investment	$1,304	1,168

The Notes to the Financial Statements are a part of this statement.

Approved by the Board.

Imperial Oil Limited and Subsidiary Companies

NOTES TO THE FINANCIAL STATEMENTS

SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

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

The principal investments in other companies are accounted for on the equity basis, and Imperial's share of their earnings before income taxes is included in "Investment and other income" in the Consolidated Statement of Earnings. The income taxes related to these earnings are included in "Income taxes" in the same statement. These investments are carried in the Consolidated Statement of Financial Position at Imperial's share of the book value of their underlying net assets.

Investments in other companies are carried at cost and income from them is recorded only as dividends are declared.

A list of all subsidiary companies and the principal investments in other companies is shown on page 2 of this report.

Depreciation and Amortization

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

Exploration

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

Inventories

Inventories are recorded at cost, which is less than net realizable value.

Income Taxes

Income tax legislation permits certain costs and revenues to be deducted or added in calculating taxable income in years other than the year recorded in the financial statements.

The companies follow the tax-allocation basis of accounting for income taxes whereby deferred income taxes are recorded for the effect of differences between the time such costs and revenues are recognized for tax purposes and the time they are recorded in the financial statements. The resulting accumulated differences between the taxes actually paid and those charged to earnings are shown in the Statement of Financial Position as Deferred Income Taxes.

The companies follow the foregoing policy for all such differences except for the effect of producing-well costs, for which deferred taxes are not generally recorded in the oil and gas industry.

1. Change in Accounting Policy

In 1973, equity accounting was adopted for Imperial's principal investments in other companies. Previously, these investments were carried at cost. The effect of this change, which has been applied retroactively, was to increase 1973 investment and other income by $30 million (1972—$24 million), 1973 income taxes by $22 million (1972—$18 million), and retained earnings at Jan. 1, 1972, by $43 million. The cumulative increase of $57 million has been added to the carrying value of the investments as at Dec. 31, 1973.

2. Investments	1973	1972
	millions of dollars	
At equity	$80	72
Includes shares at $60 million, with a quoted market value of $182 million (1972—$54 million and $259 million respectively).		
At cost	1	2
	$81	74

3. Long-Term Debt	1973	1972
	millions of dollars	
Imperial Oil Limited		
3⅝% Sinking Fund Debentures, 1955 Issue, maturing Feb. 1, 1975	$ 20	23
6¾% Sinking Fund Debentures, 1967 Issue, maturing Jan. 2, 1987	40	42
7¼% Serial Debentures, 1968 Issue, maturing Jan. 2, 1976	6	8
7⅜% Sinking Fund Debentures, 1968 Issue, maturing Jan. 2, 1988	40	40
8½% Sinking Fund Debentures, 1969 Issue, maturing Aug. 15, 1989*	50	50
6⅞% Serial Debentures, 1972 Issue, maturing Feb. 15, 1981	15	15
7¾% Sinking Fund Debentures, 1972 Issue, maturing Feb. 15, 1992	35	35
Interest-free loans repayable in U.S. funds not later than May 1, 1987**	20	10
	$226	223
Amount due within one year	2	2
	$224	221

Sinking fund and maturity payments required in the next five years on the above debentures are: $2 million in 1974, $27 million in 1975, $10 million in 1976, $10 million in 1977 and $10 million in 1978.

*Prior to Feb. 15, 1974, holders of $28 million had exercised their option to require prepayment of principal on Aug. 15, 1974, in accordance with the terms of the debentures.

**Two pipeline companies have agreed to advance $40 million in interest-free loans at the rate of $10 million per year from 1972 to 1975. If Arctic gas deliveries do not commence before May 1, 1982, the $40-million advance will be repaid by that date. Up to an additional $200 million of interest-free loans will be advanced as permits are obtained and deliveries of Arctic gas begin. All loans would then be repaid over the following five years.

4. Long-Term Accounts Receivable and Other Assets	1973	1972
	millions of dollars	
Long-term accounts receivable	$52	56
Funds on deposit with governments and others	5	5
Deferred charges	4	4
	$61	65

5. Property, Plant and Equipment	1973	1972	1973	1972
	Cost		Accumulated depreciation and amortization	
	millions of dollars			
Exploration and production	$ 649	590	255	235
Crude oil refining	703	558	311	296
Chemical and building products	187	187	97	92
Marketing	371	366	150	141
Transportation	184	159	84	78
Other	45	37	14	12
Total	$2,139	1,897	911	854
Net investment	$1,228	1,043		

The charge against earnings in 1973 for amortization of producing-well costs and capitalized producing-lease costs amounted to $12 million (1972-$9 million) and the accumulated provision at Dec. 31, 1973, amounted to $150 million.

6. Income Taxes

Income tax expense includes $22 million (1972—$18 million) in respect of the company's share of earnings from principal investments accounted for on the equity basis.

Deferred income taxes were recorded in the amount of $56 million in 1973 and $26 million in 1972. The accumulated amount of deferred income taxes in respect of producing-well costs, for which tax allocation is not followed, would have been $42 million at Dec. 31, 1973; the effect on earnings and deferred income taxes in this regard in 1973 and 1972 was not significant.

The operations of the companies are complex and the related income tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question. The companies have made what they believe are adequate provisions for income taxes payable.

7. Capital Stock

Under the company's 1959 and 1965 Incentive Stock Option Plans, employees may be granted options to purchase unissued common shares of the company at not less than 95 per cent and under the 1970 plan at not less than 90 per cent of the market price on the date of granting the options. As of Dec. 31, 1973, there were outstanding options to purchase shares at prices ranging from $10.78 to $38.14. Options for 388,007 shares may be exercised currently, for 154,610 shares after July 15, 1974, for 147,655 shares after July 17, 1974, and for 147,655 shares after July 17, 1975. Included in the above are 209,272 shares under option to directors and officers. In 1973, the company issued 596,924 shares for $11,728,000 under the terms of the plans.

8. Remuneration of Directors and Officers

In 1973, the aggregate remuneration of nine directors and one past director of the company, when serving as both directors and officers, was $1,146,000. In addition, the aggregate remuneration of nine other officers and one past officer when serving only as officers, was $543,000. All directors and officers are full-time employees of the company.

9. Amounts Owing to and from Affiliated Companies

Amounts owing to and from affiliated companies, all of which arose in the normal course of operations, were $67 million and $2 million respectively at Dec. 31, 1973. ($32 million and $1 million respectively at Dec. 31, 1972.)

10. Employee Retirement Plans

The companies have a number of retirement plans covering substantially all employees. The principal plan was revised Nov. 1, 1971, to provide for improved benefits, and a further revision was made Jan. 1, 1973, which granted a special annuitant supplement. Actuarial valuations made as of Dec. 31, 1971, and Jan. 1, 1973, estimated that additional funding of some $27 million and some $8 million respectively was required as a result of these revisions. The companies are providing for these amounts on the basis of equal annual payments to the trustees over the years 1972 to 1989 and 1973 to 1989 respectively. It is the companies' practice to obtain an actuarial valuation of the plans every three years.

11. Contingencies and Commitments

Through Syncrude Canada Ltd., the company is a participant in the development of the Athabasca tar sands to produce synthetic crude oil. Over the next four to five years, it is estimated that Imperial's share of the project cost will be $300 million.

The company is constructing a new product supply system for the Prairies estimated to cost more than $250 million, the major portion of which is for the new refinery at Strathcona, near Edmonton. This system is approximately 65 per cent complete.

The company has guaranteed or otherwise agreed to protect obligations of others in the aggregate principal amount of $13 million. Rentals and commitments payable by the companies under long-term agreements approximate $12 million annually.

12. Subsequent Event

A by-law altering the share capital of the company was passed by the directors on Jan. 31, 1974. The by-law provides for the reclassification of the 160,000,000 shares without nominal or par value constituting the present authorized capital of the company, as Class A convertible common shares, and for an increase in the authorized capital of the company by the creation of 160,000,000 shares designated Class B convertible common shares without nominal or par value.

The shares of each class are voting, convertible into one another on a share-for-share basis and rank equally with respect to dividends and in all other respects. The only distinction between the two classes is that, in the case of the Class B shares, the directors of the company in declaring a cash dividend may specify that the dividend shall be paid out of tax-paid undistributed surplus on hand or out of 1971 capital surplus on hand (as defined in the Income Tax Act of Canada). If any cash dividend is declared on the Class B shares, the directors must declare at the same time a cash dividend on each Class A share in an amount equal to the cash dividend being paid on each Class B share plus, in the case of such a dividend paid out of tax-paid undistributed surplus on hand, the amount of the tax that was paid to create the tax-paid undistributed surplus applied toward the dividend on each Class B share.

This by-law is subject to sanctioning by a special meeting of the shareholders to be held April 22, 1974, and confirmation by supplementary letters patent.

Imperial Oil Limited and Subsidiary Companies

TEN-YEAR FINANCIAL AND OPERATING SUMMARY (dollars in millions except per-share and per-employee amounts)*

YEAR	Revenues: Petroleum products	Crude oil and natural gas	Chemical and building products	Other products and merchandise	Other operating revenues	Total operating revenues	Investment and other income	Total revenues	Earnings: Total	Per share**	Dividends: Total	As a percentage of earnings	Per share	Funds from Operations: Total	Per share**	Capital and Exploration Expenditures — Exploration and Production: Total expenditures	Portion capitalized	Crude oil refining	Chemical and building products	Marketing	Transportation and other	Total capital	YEAR
1973	$1,316	$946	$198	$74	$46	$2,580	$68	$2,648	$228	$1.76	$104	46%	$.80	$352	$2.72	$128	$64	$146	$ 7	$25	$27	$269	1973
1972	1,094	699	155	70	27	2,045	59	2,104	157	1.22	77	49	.60	246	1.91	116	58	88	6	27	22	201	1972
1971	1,022	650	145	65	25	1,907	54	1,961	141	1.10	77	55	.60	221	1.72	88	57	35	5	24	9	130	1971
1970	924	534	131	63	28	1,680	49	1,729	109	.85	68	62	.52½	178	1.38	62	34	13	5	34	8	94	1970
1969	877	437	123	59	15	1,511	39	1,550	96	.75	68	70	.52½	172	1.33	49	24	20	17	38	10	109	1969
1968	857	389	115	56	15	1,432	38	1,470	103	.80	67	65	.52½	170	1.33	61	29	38	46	29	14	156	1968
1967	817	321	107	46	8	1,299	34	1,333	99	.77	67	68	.52½	160	1.26	60	24	37	22	34	12	129	1967
1966	784	257	96	39	7	1,183	30	1,213	94	.75	63	67	.50	149	1.17	62	25	25	22	19	12	103	1966
1965	773	247	85	34	6	1,145	28	1,173	87	.69	59	67	.46¼	145	1.15	71	41	9	9	18	9	86	1965
1964	731	231	65	33	5	1,065	27	1,092	80	.63	55	69	.43¾	135	1.06	61	33	6	17	11	5	72	1964

YEAR	Taxes: Income taxes	Federal sales tax	Property and other taxes	Total charged against income	Road and other taxes	Total taxes generated	Financial Position at Year End: Current assets	Current liabilities	Current ratio	Working capital	Property, plant and equipment net	Capital employed	Total assets	Long-term debt	Share-holders' investment	Earnings as % of shareholders' investment**	Shareholders: Number Dec. 31	Shares issued Dec. 31 (thousands)	Employees: Number Dec. 31	Payroll and Benefits: Total	Per employee**	YEAR
1973	$145	$70	$35	$250	$303	$553	$762	$366	2.1	$396	$1,228	$1,766	$2,132	$224	$1,304	18.5	42,646	130,117	15,936	$227	$13,900	1973
1972	91	59	22	172	259	431	658	269	2.4	389	1,043	1,571	1,840	221	1,168	13.9	44,171	129,520	15,549	201	13,000	1972
1971	95	57	20	172	245	417	625	287	2.2	338	922	1,404	1,691	166	1,081	13.6	46,188	129,105	15,019	190	12,200	1971
1970	72	52	19	143	239	382	577	265	2.2	312	875	1,328	1,593	173	1,009	11.1	52,934	128,594	15,543	176	11,200	1970
1969	62	52	18	132	233	365	517	216	2.4	301	859	1,285	1,501	178	967	10.1	50,188	128,528	15,516	162	10,500	1969
1968	61	49	17	127	221	348	498	245	2.0	253	811	1,183	1,428	128	937	11.3	37,780	128,437	15,164	150	9,900	1968
1967	65	47	16	128	196	324	449	175	2.6	274	713	1,101	1,276	102	898	11.3	39,578	128,202	14,933	136	9,100	1967
1966	55	43	16	114	197	311	393	143	2.7	250	641	999	1,142	56	855	11.3	41,088	127,167	14,289	125	8,800	1966
1965	51	40	14	105	184	289	402	130	3.1	272	593	960	1,090	58	821	10.8	41,208	126,885	13,693	111	8,100	1965
1964	46	36	14	96	164	260	380	116	3.3	264	563	927	1,043	64	791	10.3	40,924	126,674	13,623	104	8,000	1964

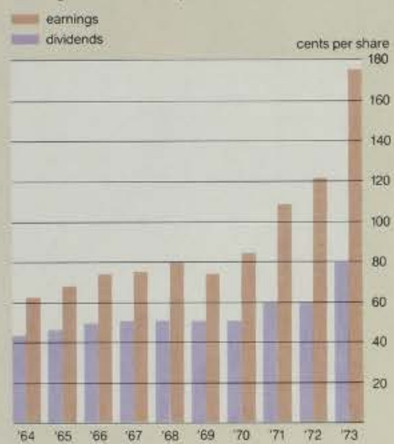
YEAR	Exploration and Production: Gross land holdings (millions of acres)	Net wells drilled: exploratory	development	Gross proved reserves***: Crude oil and natural gas liquids (millions of bbls.)	Natural gas (billions of cubic feet)	Gross production of crude oil and natural gas liquids (thousands of bbls. per day)	Natural gas sales (millions of cubic feet per day)	Crude Supply and Utilization — thousands of barrels per day: Net production	Purchases from others	Canadian crude: Domestic sales	Export sales	Used in Imperial refineries	Imported crude: Purchased for Imperial refineries	Total crude purchases	Petroleum Products — thousands of barrels per day: Crude processed	Refinery capacity Dec. 31	Sales: Gasolines	Middle distillates	Other products	Total	YEAR
1973	89	26	42	1,338	2,868	345	480	275	673	373	313	262	179	852	441	477	182	160	107	449	1973
1972	88	20	43	1,387	3,060	262	425	224	626	319	288	243	156	782	399	469	158	160	99	417	1972
1971	87	12	32	1,489	3,188	213	397	183	636	337	229	253	159	795	412	447	159	149	98	406	1971
1970	64	23	27	1,567	3,328	199	372	170	589	304	203	252	154	743	406	431	153	151	96	400	1970
1969	45	54	31	1,702	3,340	179	350	154	500	255	162	237	140	640	377	422	151	143	87	381	1969
1968	46	90	54	1,593	3,117	173	336	150	443	225	145	223	136	579	359	405	145	142	91	378	1968
1967	45	64	71	1,517	2,860	163	301	141	386	176	131	220	130	516	350	397	141	138	87	366	1967
1966	50	81	87	1,534	2,964	146	239	127	339	153	94	219	127	466	346	378	136	134	82	352	1966
1965	51	66	136	1,522	2,706	133	180	115	335	158	82	210	122	457	332	370	128	134	83	345	1965
1964	32	84	116	1,437	2,620	131	166	114	305	149	77	193	121	426	314	355	124	125	73	322	1964

*History restated for change to equity accounting
**Weighted average
***Excludes Beaufort Basin discoveries

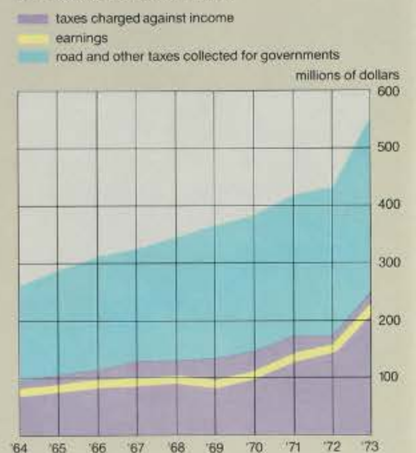
Imperial Oil Limited and Subsidiary Companies

Financial and Operating Trends 1964-1973

Earnings and dividends per share



Earnings compared with taxes*

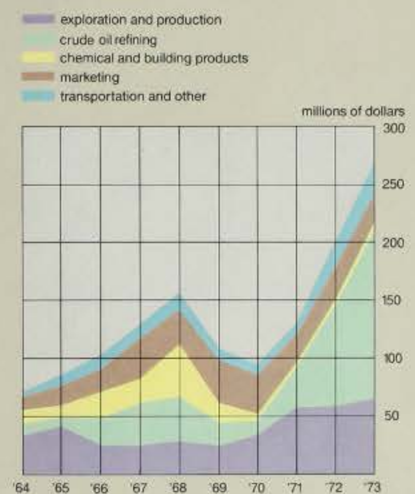


*In addition the company paid $84 million to governments for oil and gas royalties and to acquire and retain exploration rights

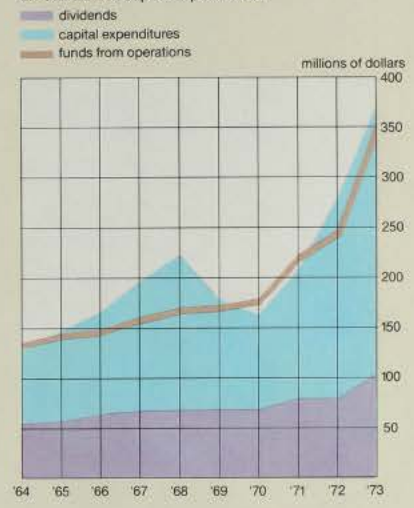
Earnings as a percentage of shareholders' investment

Salaries, wages and benefits per employee

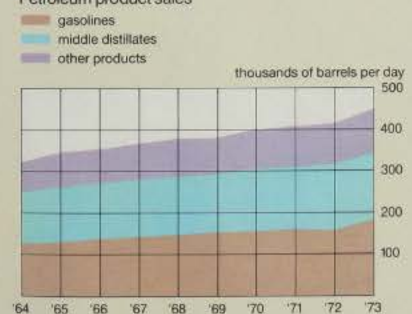
Capital expenditures



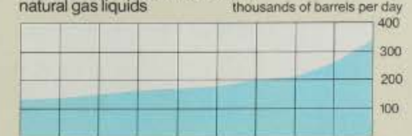
Funds from operations compared with dividends and capital expenditures



Petroleum product sales

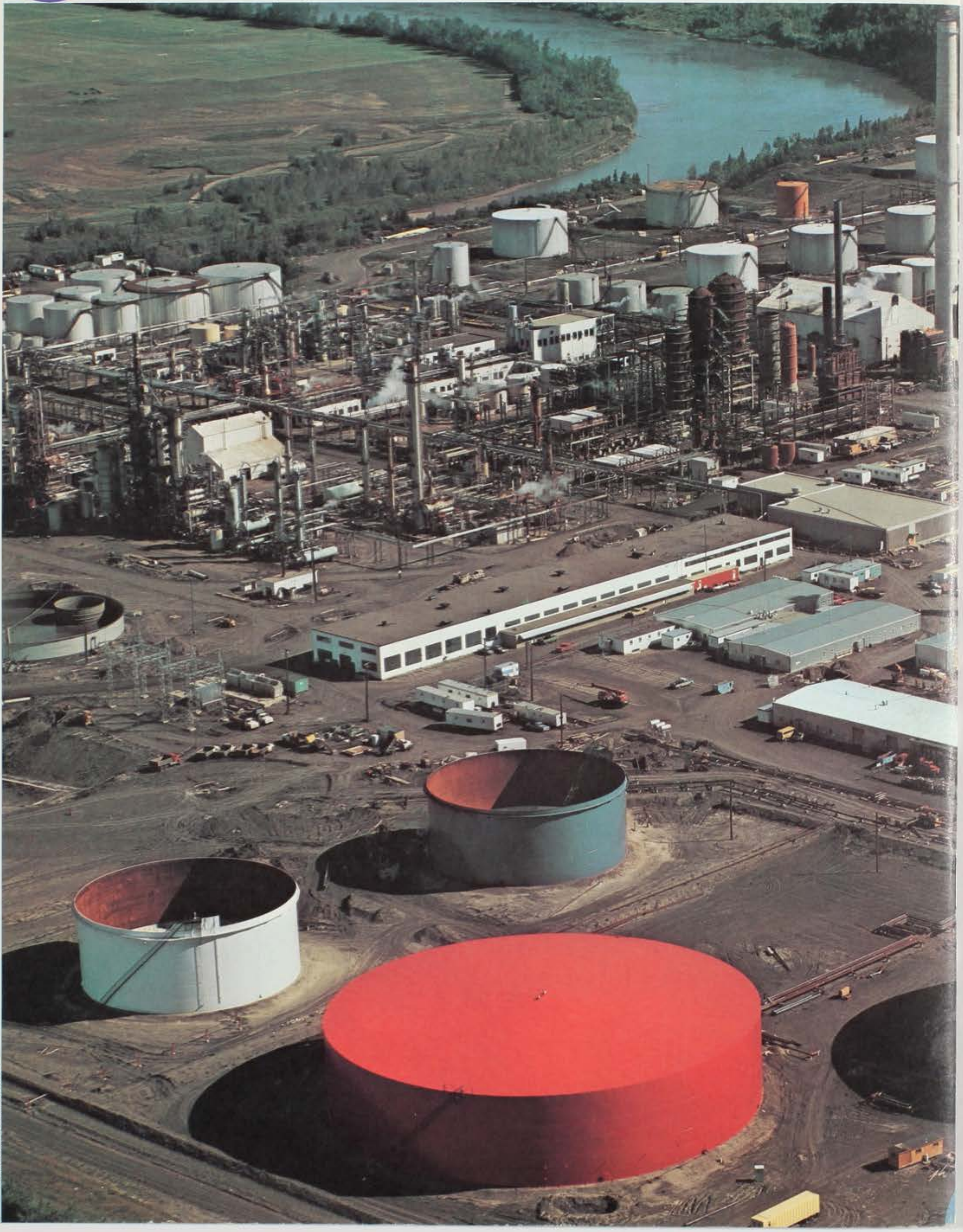


Gross production of crude oil and natural gas liquids



Natural gas sales

Le rapport annuel de l'Imperial Oil est publié en français et en anglais. Si vous préférez le recevoir en français de même que les autres communications à l'intention des actionnaires, veuillez en faire part par écrit à la Division des affaires des actionnaires, Imperial Oil Limited, case postale 4029, Toronto, Ontario M5W 1K3.



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