Imperial Oil Limited
2025 Corporate guidance
Transcript

Thursday December 12th, 2024

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

Conference Title: **Imperial's 2025 Guidance**

Date: **Thursday, 12th December 2024**

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

Peter Shaw: Good morning, everyone, and thank you for joining the call this morning as we share our corporate guidance for 2025. I'm joined this morning by Imperial's senior management team, including Brad Corson, chairman, president and CEO. Dan Lyons, chief financial officer, Sherri Evers, senior vice president of sustainability, commercial development and product solutions. And Cheryl Gomez Smith, senior vice president of the Upstream.

Today's comments include reference to non-GAAP financial measures. The definitions and reconciliations of these measures can be found at the back of today's 2025 corporate guidance press release and the slide deck, both of which are available on our website with the links to the conference. The future performance and actual performance, and operating results can vary materially depending on several factors and assumptions. Forward looking information and the risk factors and assumptions are described in further detail in our 2025 Corporate Guidance release that we issued this morning, the slide deck for today's presentation and our most recent 10-K. All of these documents are available on Sedar plus, Edgar and our website. So I'd like you to ask you to refer to those.

In a moment, Brad will provide remarks and will reference a short presentation to provide an overview of our corporate guidance for 2025. Following Brad's remarks, we will have time for questions. And with that, I will turn it over to Brad.

Brad Corson: Thank you, Peter. Good morning, everybody, and thank you for joining us as we review our corporate guidance for 2025. I hope everyone is doing well. As we approach the end of the year, I'm very pleased to share that the operating momentum I described during our third-quarter earnings call continues and we are well positioned for a strong finish to 2024. I look forward to sharing our fourth-quarter and full-year results on our next earnings call on January 31st, 2025. I'm equally pleased that a strong 2024 also positions us well to sustain that momentum into 2025 and beyond, as we build on this year's strong performance and continue to execute on our strategy to maximize the value of our existing assets. This includes higher volumes and lower unit cash costs while driving shareholder value and continuing to return surplus cash.

Before we get into the details of our 2025 guidance, I want to share some important goals we are targeting to achieve over the next 2 to 3 years in our upstream business, which demonstrates our intent to sustain operating momentum beyond this year and next. I have referred to some of these in the past but now want to firmly establish them. I also want to highlight our expectation for strong downstream utilization next year as well. First, at Kearl, I'm very pleased to say that we have a goal to grow production to more than 300,000 barrels per day. This is the result of work the team has done to identify additional low cost to further optimize the asset. So we're excited about the increased growth potential at Kearl.

But that's not all we're excited about. We're also introducing a lower unit cash cost goal of US $18 per barrel versus our previous target of US $20 per barrel. With a strong finish to 2024, we expect to be below US $20 per barrel this year at Kearl and that, along with our growth plans and continued cost focus, gives us confidence in setting a lower unit cash cost target. Overall, the combination of higher volumes and lower unit cash costs sets up a continuation of Kearls's positive trajectory, further enhancing the assets' profitability and cash generation capacity.

And next, at Cold Lake, we are now targeting to produce above 165,000 barrels per day, supported by the successful ramp-up of Grand Rapids, progress on the Leming redevelopment project, and additional low-cost infill drilling opportunities. At the same time, we are continuing to advance future solvent-assisted SAGD opportunities that will support increased production and lower unit cash costs beyond the next two to three years. With lower-cost barrels entering the mix and increased scale, we are introducing a unit cash cost goal for Cold Lake of $13 per barrel. So in addition to the momentum we see at Kearl, we're also driving significant improvements at Cold Lake as we transform the asset with new technology and continue to invest in profitable growth.

We also have operating momentum in our downstream business. Not only do we expect strong utilization in 2025, which we'll talk to in more detail in just a few minutes, but we're also on track to add 20,000 barrels per day of advantaged renewable diesel production capacity around the middle of next year, which we believe will be highly accretive to our already advantaged Canadian downstream business. To support and sustain the operating momentum we see across our business segments, we expect total 2025 capital spending to be in the range of $1.9 to $2.1 billion, up modestly from the $1.8 to $1.9 billion range I referenced on the last earnings call for 2024. Hopefully, that provides you with the big picture of where we're going and the positive momentum we see.

Next, we'll zoom in on some additional details regarding our guidance and plans, and then we'll wrap up with a financial summary on free cash flow generation and break evens. This next chart focuses on the upstream and continued momentum to grow volumes at a lower unit cash cost. The charts on the left illustrate the optimization journey we're on, and how we're building on a track record of higher upstream volumes and lower unit cash costs at Kearl and Cold Lake. For 2025, our guidance for total upstream volumes on a gross basis is between 433,000 to 456,000 oil equivalent barrels per day. This represents 3% growth versus our 2024 guidance midpoint.

Also of note, when factoring in significant share buybacks, our production per share growth rate has been much higher into the double digits over the past few years. Volume growth in 2025 is supported by continued optimization at Kearl, in the 280,000 to 290,000 gross oil-equivalent barrels per day range, and by a full year of Grand Rapids production that sets up a range of 150,000 to 160,000 barrels per day at Cold Lake. The Leming redevelopment project will start up later in 2025 and support continued momentum at Cold Lake in 2026, adding 9000 barrels per day of advantage SAGD production into the mix. Future phases of solvent-assisted SAGD are expected to follow after lending. Upstream turnaround volume and cost impacts are in line with 2024 overall. During the Kearl turnaround, we will be conducting work to support future turnaround interval extensions.

And moving on to the downstream. 2025 is a relatively light year for planned turnaround activity. Relative to 2024, we are expecting turnaround volume and cost impacts to be 50% and 30% lower, respectively. This results in a throughput of between 405,000 to 415,000 barrels per day, and a utilization of 94% to 96%, compared with our 2024 guidance of between 89% and 92%. Looking back on the three turnarounds completed in 2024 across our refinery network, I'm extremely pleased that we were able to complete all this activity safely ahead of schedule and on budget. A key part of our successful turnaround execution has been and will continue to be the ability to not only collaborate across the Imperial manufacturing network but also leverage our unique access to global best practices. In 2025, we will continue to invest in our advantaged downstream business with select projects across the country, including enhanced transportation logistics and additional coal processing capacity.

We are also excited to be bringing a renewable diesel project on stream, and we expect that to start up around mid-year. Our 2025 capital spending reflects our plans to sustain our operating momentum over time, including projects to support volume growth over the medium term. Key to this is our decision to advance the necessary mine infrastructure projects and mine progression plans at Kearl to support our medium-term path to over 300,000 barrels per day and the continued path to lower our unit cash costs. Capital for mine work includes acceleration of overburden removal, build-out of new tailings infrastructure, and purchase of additional equipment such as

shovels, trucks, dozers, and graders. All the equipment needed to continue to grow volume while lowering unit cash costs. Given the nature of mining projects, we expect capital spending to be higher in 2025 and 2026 before trending lower in the 2027 to 2029 timeframe.

We're also capitalizing on additional low-cost infill drilling opportunities at Cold Lake that support higher volumes and lower unit costs. Select high-return growth capital includes Kearl secondary recovery projects, Leming redevelopment, and advancement of future solvent-assisted SAGD. In the downstream project capital for Strathcona, Strathcona renewable diesel will wind down in 2025 as we complete construction of that facility. We also continue to invest in logistics and optimization to further strengthen our advantage downstream competitive position. And as you can see in the chart here, we expect to generate robust free cash flow in a range of oil price environments.

Given additional volume growth and lower unit cash costs, our free cash flow generation potential has improved materially relative to our prior outlook from the April 2023 Investor Day, and our break-evens are trending lower as well. And all while significantly increasing our dividend. This is a direct result of our positive work to increase volumes and reduce costs and supports our ability to continue returning cash to shareholders. As a reminder, our priority is a reliable and growing dividend, and I'm very proud that we've just crossed a major milestone of 30 consecutive years of dividend growth on a paid basis with our most recent dividend payment. Our intent is to build on that track record, and we believe our plans support further robust dividend growth.

Beyond the dividend, we also expect to have the ability to continue repurchasing our shares outstanding. We are just wrapping up our latest NCIB, which we accelerated to be complete before year-end. Acceleration of the NCIB gives us flexibility to consider additional shareholder returns prior to the renewal of the NCIB in late June of 2025. Overall, our shareholder return philosophy is unchanged. We remain committed to returning surplus cash in a timely and efficient manner. And that wraps up our prepared comments. I hope you share in the excitement we have for our business momentum and can see where we're heading with the new volume and unit cash cost goals we've laid out.

I'm joined here by Imperial Senior Management Team, and we're happy to take your questions now. But I would also like to inform you that we will be hosting our Investor Day, mid-April in Toronto, at which point we plan to provide further detail about our strategy and plans. And with that, I'd just like to add my best wishes to you and your families for the upcoming holiday season. And so now we'll move to the Q&A session, and I'll pass it back to Peter.

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

Operator: Yes, sir. Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, that is star one if you would like to ask a question. We'll take our first question from Manav Gupta with UBS.

Manav Gupta: Good morning, guys. My first question is a little bit related to the cost guidance you have put out. So if you look at for the first nine months, the Cold Lake OP cost is close to $15. So help us understand what will help you push that down closer to $13 in the out years.

Brad Corson: Yeah, thanks for that question, Manav. And I'm really excited to lay out this new cost target for Cold Lake. We've been talking for several years about the journey for Kearl, and we've actually been on a journey at Cold Lake, as well as illustrated by the chart. A key enabler to our cost objectives at Cold Lake is what we're doing with our advantaged new production like Grand Rapids like Leming that are new volumes that are coming on stream at a significantly lower unit cost. And so when you bring them into the mix, they reduce the overall average. On top of that, you're seeing significant volume growth at Cold Lake versus where we were just a couple of years ago. So when I put all that together, we feel quite good about this US $13 per barrel goal that we've set out.

Manav Gupta: Perfect. My quick follow-up here, Brad, is you mentioned in the prepared comments that you could look at additional ways to return cash between now and the next NCIB. And so can you help us walk through that? What process would you be looking at and what are the factors you would be considering if you do decide to provide additional shareholder returns between now and the next NCIB?

Brad Corson: Yeah, thanks. I think what you'll see is us continuing to leverage similar options to what we've done in the past, but maybe I'll let Dan talk more specifically to our capital allocation strategies and what we're looking at for the first half of the year.

Dan Lyons: Sure, Brad. And as Brad said earlier, we've said for a long time, certainly our philosophy of returning surplus cash to shareholders timely is unchanged, starting with the reliable and growing dividend. Then beyond that, through our historical practice, there has been share buybacks. So I mean, ultimately, it's going to be driven by our cash balances. As Brad mentioned, we're going to wrap up the NCIB here very shortly, our accelerated NCIB. So we'll start growing cash at current

market conditions from that moment forward. We have strong operational performance, growing volumes, good unit cost performance, solid commodity pricing. We also have a tailwind of a weaker Canadian dollar, which is helpful to us. So I think we're relatively optimistic those cash balances will grow pretty quickly. But we'll see what the market gives us. But if we have sufficient cash, we'd love to return some surplus cash in the first half ahead of our NCIB, which we'll renew at the end of June in 2025.

Manav Gupta: Thank you so much.

Brad Corson: Thank you.

Operator: We'll now take our next question from Menno Hulshof with TD Securities.

Menno Hulshof: Thanks and good morning, everyone. I'll maybe start with a question on sustaining capital. I believe with the 2023 Investor Day you guided to $1.1 billion and presumably it's up a reasonable amount since then. And based on your prepared remarks, Brad, it sounds like the growth capital wedge is going to be higher than 25% of total Capex in 2025 and 2026. So if we roll all of that up, what should we be modeling for sustaining capital for the next couple of years?

Brad Corson: Thanks for that question, Menno. I don't have the exact number in front of me for sustaining versus growth. But I would say we're looking at proportional increase in both sustaining and growth. Some of the sustaining is driven by work we're doing to advance some of our mine preparations, which position us for future volume growth at Kearl above 300,000 barrels a day. And some of the infill drilling that I talked about at Cold Lake is also sustaining. And then on growth, we do have several initiatives that I've made brief mention to here and, in the past, like what we're doing at Leming. Certainly, Strathcona Renewable Diesel is impacting that. Some other bitumen enhancement technologies at Kearl will also allow us to grow to 300,000 and beyond. And so all those are part of the growth.

But what I would also put in context is, as we look at some very modest increase in capital over the next couple of years, what's really important is the volume growth that goes with that and the ability we will have to reduce our cost structure. And so what I'm most excited about is when you look to that last chart on surplus cash flow and what we've been able to do since that 2023 guidance. And whereas we're spending modestly more capital, we are materially improving volume growth, we're materially improving our cost structure. And all that together results in surplus cash that is in the range of 15% to 18% higher than where we were in 2023. That's the cash engine. And so, that's

what's most exciting to me when I think about where we are today, the plans we've laid out for next year relative to where we were just a year and a half ago.

Menno Hulshof: Thanks, Brad. That's really helpful. Maybe I'll follow up with a question on Strathcona. I did notice in the footnotes that it is excluded from refinery throughput and utilization, which makes sense given the mid-year ramp-up. But can you give us the goalposts on expectations for the overall pace of Strathcona RD ramp-up? And I'm pretty sure the answer to this one is no. But is there any scenario or set of market conditions where you would defer startup?

Brad Corson: Yeah. Thanks for the question. You've heard me talk about this on other calls and I'm super excited about this project. We do see it as very accretive to our portfolio. We do see solid demand for that product in the marketplace. So we're quite excited about it. When it comes to the utilization numbers, we'll have to reflect in the future. Once it starts up, what's the best way to characterize that? Because it's not quite the same as crude throughput. We're using this plant-based feedstock versus crude to generate the renewable diesel. So it doesn't go into that standard metric. But obviously, we do see it as a volume addition. It'll be reflected in our product sales for sure. So that will be a key metric to look at.

And then we'll have to reflect on other ways to report the performance of it. When it comes to the ramp-up, we are targeting something mid-year for start-up. The construction is right on target and well-advanced at this point in time. Ramp-up for a unit like this would be different, I would say, than a Grand Rapids in the upstream. In the upstream, we're looking at multiple wells that we have to start up, we have to bring into the system. So it's a gradual ramp-up. Something like the renewable diesel should be a much quicker ramp-up. Certainly, within a month or two as we commission it, we start it up. There may be some troubleshooting that we would do, which is quite customary for a new system start-up in a refinery, but it should be a pretty quick ramp-up.

Menno Hulshof: Thanks again. I'll turn it back.

Brad Corson: Okay. Thank you.

Operator: We'll now take our next question from Greg Pardy with RBC Capital Markets.

Greg Pardy: Yeah, thanks. Good morning. And Brad, very, very happy holidays to all of your team and their families as well. So good to connect over the past year. I wanted to touch on a couple of things. And not surprisingly, Imperial's just been a big topic of discussions recently. But I'm trying to piece together 2024 Capex as opposed to getting too fussed on 2025. And I'm just curious

whether the increase in spending that you've seen this year, which bucket was it in? Was it inflation or scope changes, or are there other factors that are intervening?

Brad Corson: Thanks for the question, Greg, and appreciate your opening comments. When we reflect on 2024, I would say it's generally not inflation. That's not to say we don't have inflation, but the inflation has been in line with what we would have predicted coming into 2024, which is probably something in the low single digits, 3%, 4% range. But again, we would have predicted that. So setting that aside then, where most of the growth has come from is, if you will, the timing of capital associated with multiple-year projects, many projects we've been pursuing our multiple year in nature. And so where it makes sense for us to accelerate some of that work, we're doing that so we can be most efficient with the capital dollars.

We've also seen opportunities at Cold Lake, for example, with infill drilling, where we see some robust opportunities and we're in a very strong position with our cash flow, with our balance sheet. And so where we see accretive economic opportunities, we're going to go after them. And so that's why you've seen a very modest uptick in 2024 versus our original guidance for 2024. But ultimately, it's translating into stronger volume Performance than what we initially guided towards for 2024 and stronger, better unit cash cost performance as well. So that's the benefit of our capital strategy.

Greg Pardy: Okay. That does clear it up. And then just in your opening remarks, I know you've talked about 300,000 barrels a day plus, then you've mentioned infrastructures, bulldozers, graders, just listening to those comments, it sure feels like you're gearing up for a pretty major growth spurt on Kearl, as opposed to smaller debottlenecking initiatives. Am I reading that one, right?

Brad Corson: It's material what we're trying to achieve at Kearl. We have guidance for this year, a midpoint of 280, and we feel confident in our ability to achieve that. And so as we look to the outer years, what I've characterized is two to three years, we expect to get up to 300 and above. And so that is a material increase in volumes. And so in order to enable that, certainly there's debottlenecking that we're doing in the process part of the facility, but we also need to be able to just fundamentally move more ore. And to do that, we need commensurate equipment. And so more volumes require more equipment. And so we want to make sure we invest in that. I'm purposely not indicating a number above 300, but I do want to signal that we have growing confidence that not only can we get to 300, but we can get beyond 300. And I think with April's Investor Day and guidance, a year from now, we'll be able to bring more clarity to those plans to get above 300. But for sure, we feel quite good about 300 in what we call the medium term.

Greg Pardy: Okay. Understood. Thanks very much.

Brad Corson: Thank you, Greg.

Operator: Our next question will come from Doug Legett with Wolfe Research.

Doug Leggett: Hey, good morning, guys, and happy holidays over here I guess, and Merry Christmas to everybody. Brad, I wonder if I could please pick up on the sustaining capital question from earlier. Quite honestly, I'm a little confused, and I'm hoping you or Dan can walk us through it. So $1.1 billion, a year and a half ago. If we take the 25% off the 1.9 run rate, you're kicking the tail off $1.5 billion, which is a substantial increase in what you're implying is sustaining capital. The market seems to be reacting to that today. So I wonder if you can offer some clarity as to what exactly is going on with that step change, which appears to be the case in sustaining capital, a big number.

Brad Corson: Yeah, Doug. Well, apologies, that there's not more clarity to it. And I think my answer is largely what I just provided in that, as we see where we are today, we look where we're going to. In order to achieve higher volumes, we need to ensure that we have the minds in the right state that they can accept the additional activity both on the front end and the back end of the process. And so we're spending money on mine progression, which we've typically characterized as sustaining capital, so you see that. But you also see these mine progression projects are multiple-year projects. And so there's always some degree of lumpiness for the lack of a better word in terms of how they schedule out over multiple years.

And so, what you're seeing is we're moving some of those monies into this year and next year. But longer term, as I commented, we expect those capital trends to come down. So that's the Kearl example. We often on Cold Lake characterize infill drilling as sustaining as well. And so we're progressing some of those opportunities. But again, whether it's indirectly through sustaining capital, whether it's directly through growth capital, both of those together are enabling us to materially grow our volumes.

Doug Leggett: I understand the volume aspect of it. So maybe I'll dumb it down for me, maybe Dan or Brad. But the $1.1 billion, what is that equivalent number today? Is it 1-4, 1-5? What would you say the new $1.1 is, just for clarity?

Brad Corson: You're talking about for 2024 or 2025?

Doug Leggett: No, on a go-forward. I think in your deck it says 2025 through the next five years basically that your growth capital will be 25% of the total. So that would imply somewhere in the 1-4,1-5 for

sustaining capital. I just want to make sure that that's what you're trying to signal. The 1.1 is now what number? What's the new 1.1?

Brad Corson: Do you have that number, Dan?

Dan Lyons: No. Look, Doug, it's clear, especially in the next couple of years for timing reasons, we're going to see that sustaining number up a bit. And then come back down and also as the volume grows, if you look at it on a unit basis, you'd expect some increase in sustaining capital. So as Brad explained those are the factors. So we don't have a number to put out today on that. But I think obviously we'll give much more of a detailed discussion on Investor Day.

Brad Corson: But I would just say, sorry, Doug, as I'm just reflecting on some of the key components of that number, I would have put it in the 1.3 to 1.4 range for sustaining if that helps.

Doug Leggett: That's helpful. I'm looking at slide five. And just to be clear, I'll give back to time here because I've taken enough time on this single question. But if you're looking at 19-22, is your new run rate for spending, 2629 says 19, and then it says 25 to 29 growth capital averages 25%. So that would put you in that 1.4 range Brad to your point, which is 25% up from what you gave a year and a half ago. And when you think about Imperial as a long-term annuity, taking your sustaining capital up 25% forever is material. And that's really what I was getting at to make sure we were understanding it correctly, because like I said, the market appears to be reacting to that. So I think some precision would probably be helpful to everybody when you can.

And I'll leave it there but thanks very much for your answers. Guys, go on.

Brad Corson: Thanks, Doug. And again, when we talk about that sustaining capital, it's important to put in context that a key component of that is these mine progression activities, which although we characterize them as sustaining, they not only enable the current volumes we're producing at Kearl, but they also enable growth at Kearl to take us up to 300,000. And so the line gets a little fuzzy between sustaining and growth when we're talking about mining activities at Kearl. It's not quite the same as when you're at Cold Lake and you're trying to offset a decline curve.

Doug Leggett: Understood. Well, any clarity would be appreciated, I think, by everybody guys. Thanks very much indeed.

Brad Corson: Happy holidays.

Operator: We'll now take our next question from Dennis Fong with CIBC World Markets.

Dennis Fong: Hi. Good morning, and thanks for taking my questions. My first one zeroes in a little bit more on Kearl. I know previously you discussed, and you highlighted in your opening comments around secondary recovery initiatives. My presumption is that includes projects like course tailings, bitumen recovery, as well as the flotation tailings bitumen recovery projects. I was hoping to talk or ask you a little bit more about some of the details of some maybe incremental secondary recovery initiatives that you're pushing forward here or are those the primary two that are helping you drive production higher over the next few years?

Brad Corson: Yeah, Dennis. Thanks for your question. I think it is the CST and flotation are big components of what we're looking at on the processing side. Those projects are progressing. In addition to that, and I did make a subtle hint to that, we are continuing to work on our turnaround performance at Kearl, as another example, and I talked about this a little bit. I think the last earnings call where if you go back three, four years, we had about 70 days per year of turnaround activities at Kearl. That was because we had two turnarounds a year. Then we went to one turnaround a year. So that cut that 70 to 35. And this last year we completed what was planned to be a 20-day turnaround in less than 20 days. So we've gone from 70 to less than 20. We have work underway now to shorten those durations and extend the interval between turnarounds at Kearl even further. And we'll lay out some more details on that at our Investor Day. But that's just another example of what we're doing to improve, if you will, some of the maintenance-related downtime at Kearl. And so maybe I'll just see if Cheryl's with me right here to see if she has anything else she may want to add, but I think those are some of the key components.

Cheryl Gomez Smith: Well, thank you, Brad. By way of introduction, I'm now about five months with Imperial, and I could not be more proud of our assets and our people. What I've seen is the level of commitment, competency, and capability along with our demonstrated performance, which Brad shared really puts us in a great position to transform and grow. Now, back to Kearl in terms of some of the efforts that we've done, we've made exceptional progress in 2024. And as I think about the future, it's the reliability and the maintenance improvements which Brad highlighted. The other part I think is worth highlighting is our mine fleet productivity. And as you know, we've gone fully automated with our heavy haul trucks, and we're seeing not only safety improvements there, but we're also recognizing these productivity gains that I mentioned.

The other thing I'll highlight in that space was mine fleet productivity is we're still learning. So we haven't captured the full potential. The first thing I'll mention is that around the debottlenecking, which we're continuing to do both within the mine plant, and then maybe the other thing I'll highlight

is this is all anchored in a culture of continuous improvement. So what I've seen over the time frame and so forth is really we're building on a strong foundation of 2024, and that's where we're going to see some of these gains as we look forward.

Dennis Fong: Great. Appreciate that context from both of you. You stole my second question in terms of the autonomous side, in terms of obviously seeing a dollar-a-barrel improvement in cost structure. In terms of what you've actually seen, now that you've been operating a fully autonomous mine for a little while now, what maybe the future holds, especially if you're trying to drive to something that's north of 300. Is there an ability to push the trucks even further, not just from a cost savings perspective, but also from a productivity perspective?

Cheryl Gomez Smith: This is Cheryl, and I'll say the short answer is yes. As I mentioned that we realize safety and productivity gains. We're still looking for maintenance improvements. The other part, I'll tell you is we are looking at other equipment. So could we do our dozers in the same space? So I think there is definitely opportunity to expand this, not only from reducing our workforce risk perspective but also where we can capture those productivity gains. So the short answer is yes. Absolutely.

Dennis Fong: Great. And sorry, if you would permit me one quick final question. I believe you should be rounding out or near completion of your In-pit tailings project in 2025. Can you maybe provide us a bit of an update on this specific project, as well as maybe how that influences maintenance costs or break-even once the project is complete?

Cheryl Gomez Smith: Sure. In terms of where we're looking at from a commercial perspective, as we continue to transform our mining business and the tailings project, what I've seen there is we are completing that work. And what that enables us to do, and it's interesting from my perspective, is the better we are at managing our tailings, the better we are getting our footing to bring our production impacts. So going forward, this is really about how can we continue to develop not only this area but as we look forward where we're going with our next tailings projects. So I would say this is part of the mine progression that Brad was talking about critical to our infrastructure plans. What I would say is, as thus far, all positive progress and delivering on our commitments.

Dennis Fong: Thank you. Really appreciate the color. And I'll turn it back.

Brad Corson: Thank you, Dennis.

Operator: We'll now take our next question from John Royal with JP Morgan.

John Royal: Hi. Good morning. Thanks for taking my question. So I just wanted to go back to the Capex raise and clarify something around the Capex raise versus the production raise. You mentioned incremental Capex in Cold Lake with the infill drilling and also some mining initiatives that help you get to the 300 in Kearl. But looking at this plan versus the April 23rd plan, it's only Cold Lake long-term production that's moved higher, 165 KBD long-term. Comparing that to your chart from last year, I think you were peaking around 150 with the same project. So it's about 15 KBD higher. That's like another Grand Rapids. So am I missing anything in that bridge, or is most of this incremental capital going into Cold Lake? Or maybe last year's Capex view didn't include the spend up to 300 at Kearl? I'm just trying to square the long-term Capex raise across the board, but production rates only at Cold Lake. Apologies if I'm missing something there.

Brad Corson: Yeah. Thanks for that clarifying question. I mean, Cold Lake certainly is materially higher volumes next year versus what we would have conveyed in the past. But Kearl also, this is really the first time we are laying out a volumes plan for Kearl that goes to 300,000. In the past, it was 270,000 to 280,000. So that's substantial. And to achieve those Kearl volumes, we are definitely requiring additional capital for that. And then I would also say, just one other comment, those are the upstream drivers. There's also some things we're spending money on in the downstream to further our logistics network and allow us to access high-value markets, both with our shred volumes and our other volumes longer term. So those aren't as significant as the spending at Kearl or Cold Lake, but they're a component of that higher capital as well.

John Royal: If I could clarify, Brad, so the 300 KBD was laid out last year as an ambition, but it wasn't in your long-term Capex numbers, and now it is. And if I could just follow up with one more on Capex, the $1.9 billion long term, is there any spend for pathways assumed in those numbers? And the pathways generally represent a potential further upside to this long-term view?

Brad Corson: Yeah. Thanks for asking that question because that is really important. There is a minimal amount of capital spend in these profiles. For example, the next big-ticket item for pathways would be the CO2 trunk line project. That capital is not in this outlook. And that's very much by design. We're still in discussions with the government about the required fiscal support that would be necessary. And similar to 2023 Investor Day and last year's guidance, we've always excluded that, and we'll continue to exclude it until we have the right terms. And then when we do put it in, and I hope we do at some point when we do include it, it will be important to recognize that the capital we would expect to spend on pathways will be materially reduced by the fiscal incentives we would expect to receive. So today we have a 50% investment tax credit from the federal government. We have an additional 12% capital support from the provincial government. So they're 62%. We've

said we need 75%. So ultimately, if and when this goes forward, it will be just a fraction of the capital that we would be including.

Operator: Thank you. Once again, that is star one if you would like to ask a question. We'll now take a question from Neil Mehta with Goldman Sachs.

Neil Mehta: Hey. Good morning, Brad and team, and happy holidays to you guys as well. Just love your perspective a little bit on the macro here, could you talk about what's giving you the confidence to be growing into a market where there's a big debate about the magnitude of non-OPEC supply and OPEC's spare capacity that exists in the system? I think Exxon received a lot of those same questions yesterday. And we've heard Meg talk about growing and you guys talking about growing. And I just worry that we're going to exhaust some of this excess pipeline takeaway capacity if the industry is moving in that direction of travel. So what's your macro perspective on that? And then I have a follow-up on another macro issue.

Brad Corson: Yeah. Thanks for that question. I mean, for me, the fundamental macro factor is global demand, which although there's many different views on what's going to happen in the next couple of years, I think most of those outlooks show some growth in global demand. And I think Canada has a very important opportunity to participate in that growing demand with our supply. And so that's what fundamentally gives me comfort. I think on the last earnings call, I got a question about egress capacity. I don't have any concerns about egress capacity, especially for the next several years. And so we're able to bring these volumes on, relatively quickly, incrementally growing 3% a year. I think there will continue to be strong demand for these volumes. And so we're quite comfortable with them. When we look much longer term at a substantial growth opportunity like Aspen, then we'll have to refresh that conversation of what does that macro look like? But as we sit here today, we actually feel quite good about progressing Aspen as well, which is in our longer-term plans, not so much the subject of today's guidance.

Neil Mehta: And Brad, that's a good follow-up here to the topic du jour around tariffs. What's your perspective on it? There are a lot of moving pieces, a lot of uncertainty. But how are you thinking about the political risks of that? Ultimately does that back into WCS or into Padd two refined margins? And then in that context, how do you think about even local prices for your refining businesses to the extent that tariffs are put in? Could you have a 2018 event all over again where you could get really discounted? Edmonton mixed sweet that could benefit the refining system.

Brad Corson: That's a supercharged political topic right now. I'm not sure I want to weigh into it too much. Other than to say that Canada and the US are huge trading partners. There is significant benefit

to moving Canadian crude into the US, and that benefit is on both sides of the border. Canada and us as a company, we export a significant amount of crude, but the US needs that crude as well, because of the heavy characteristics of most of our exports. So there's a win-win proposition today. And I would hope as the governments on both sides of the border work through all this, that they continue to maintain a win-win objective and that largely they're not any material impacts to us. So that would be my thoughts on it. Dan, anything else you want to offer on that?

Dan Lyons: No. I would say as Neil, you pointed out in your question, in the catastrophic case or something comes there's pros and cons in it for an integrated company like us. But I think we would say we're hopeful and optimistic for the reasons Brad mentioned that we won't get to that point where it's a win-win situation now. And I don't think the new administration down south wants higher product and crude prices for customers, which tariffs would tend to have that effect. But we'll see what happens.

Neil Mehta: All right. Well, thanks guys. Always appreciate it.

Brad Corson: Neil, just one other comment is, to the extent there does become higher costs somewhere in the system, I don't know where that higher cost would land, where companies like Imperial will continue to be advantaged is because of our low-cost structure. We want to be the lowest cost, the most efficient producer and refiner and supplier of products. And ultimately, my belief is a company that can deliver that is going to continue to win in any external environment.

Neil Mehta: Okay. Thank you, sir.

Operator: We'll now take a question from Patrick O'Rourke with ATB Capital Markets.

Patrick O'Rourke: Hey guys. Good morning. Thank you for taking my question. Very comprehensive run-through and Q&A so far. So hopefully this isn't too redundant but just wanted to go back to the comment with respect to the potential to extend the Kearl turnaround. There's another miner that's talked about going to biannual turnarounds. Is that what you have in mind? And then how does that play into the path to 300,000 KBDs there? Is that included in the numbers already, or would this be incremental? And is the glide path there on a rate of 5000 per barrel basis over the next three years to get there?

Brad Corson: Yeah. Well, it's a good question. First, I would just clarify in case there's any confusion. We are already on a biannual turnaround cycle. We already have two-year intervals between the turnarounds for each of our trains. We have two plants at Kearl, and each one has a turnaround

every other year. So we're already on that biannual cycle. What we're looking at and really planning for is to be able to extend even longer than a two-year cycle. And so that's what the teams are working on. We're going to lay out more details at our April Investor Day. But we do see that as integral to the 300 and beyond. So it is certainly a key part of our strategy to grow those volumes even further.

Patrick O'Rourke: Okay, terrific. And then I know you touched on the pathways initiative and where we're going on an FID basis, but maybe a different wrinkle in terms of the carbon emission mitigation issue here would be the cap and reduction proposed legislation. I guess anyone can really go to that proposed draft legislation and marry up the allowances to what you have in your sustainability report. Outside of pathways, if this does come to fruition, come into law, when and how do you start to recognize the capital spend that would be required under that legislation in this multiyear plan out through 2029 start to impact your profile in 2030?

Brad Corson: It's a good question. I mean, it's a complicated question just because there's a lot of moving parts with this new regulation around emissions and emission caps. What I would say is that one of the key enablers for us to continue to reduce emissions is deploying these new solvent technologies at Cold Lake. And so what that results in is like with Grand Rapids, like with Leming in the future, both of those have lower emission intensity than our historical base production. And so as we continue to increase the volumes of lower emissions intensity barrels, that helps reduce our carbon footprint, helps with our compliance strategies at Cold Lake. At Kearl, we've talked in the past about some strategies we've deployed there around our boiler, flue gas, reducing energy requirements at Kearl and also employing the use of renewable diesel at Kearl, which also provides carbon credits. And so, we have multiple base strategies that will enable our compliance. And then, longer term, we continue to be optimistic that we will land in an acceptable place with the federal and provincial government to enable the pathways investments. And one of those key initial investments for us as a company would be deployment of carbon capture at Cold Lake on some of our boilers there. So that's out in the 2029, 2030-time frame. But that would be another vehicle for us to ensure compliance.

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

Brad Corson: Thank you.

Operator: And it appears there are no further telephone questions. I'd like to turn the conference back over to Mr. Shaw for any additional or closing comments.

Peter Shaw: Great. Thank you very much. And on behalf of the management team, I would like to thank everyone for joining us this morning before the holiday season. If there are any further questions, please don't hesitate to reach out to anyone on the IR team and we'll be happy to answer your questions. With that, thank you very much, and have a great day.

Operator: And once again, that does conclude today's conference. We thank you all for your participation. You may now disconnect.

Capital and exploration expenditures

Capital and exploration expenditures (or capital expenditures) represent the combined total of additions at cost to property, plant and equipment, additions to finance leases, additional investments and acquisitions; exploration expenses on a before-tax basis from the Consolidated statement of income; and the company's share of similar costs for equity companies. Capital and exploration expenditures exclude the purchase of carbon emission credits.

Non-GAAP measures

Listed below are definitions of several of Imperial's key business and financial performance measures. The definitions are provided to facilitate understanding of the terms and how they are calculated. These measures are not prescribed by U.S. Generally Accepted Accounting Principles (GAAP). These measures constitute "non-GAAP financial measures" under Securities and Exchange Commission Regulation G and Item 10(e) of Regulation S-K, and "specified financial measures" under National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure of the Canadian Securities Administrators.

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

Free cash flow

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

Reconciliation of free cash flow

millions of Canadian dollars	**2023**	2022	2021
From Imperial's Consolidated statement of cash flows			
Cash flows from (used in) operating activities	**3,734**	10,482	5,476
Cash flows from (used in) investing activities			
Additions to property, plant and equipment	**(1,785)**	(1,526)	(1,108)
Proceeds from asset sales	**86**	904	81
Additional investments	**—**	(6)	-
Loans to equity companies - net	**5**	10	15
Free cash flow	**2,040**	9,864	4,464

Operating costs

Operating costs is a non-GAAP financial measure that are the costs during the period to produce, manufacture, and otherwise prepare the company's products for sale – including energy costs, staffing and maintenance costs. It excludes the cost of raw materials, taxes and interest expense and are on a before-tax basis. The most directly comparable financial measure that is disclosed in the financial statements is total expenses within the company's Consolidated statement of income. While the company is responsible for all revenue and expense elements of net income, operating costs represent

the expenses most directly under the company's control and therefore, are useful in evaluating the company's performance.

Reconciliation of cash operating costs

millions of Canadian dollars	**2023**	2022	2021
From Imperial's Consolidated statement of Income			
Total expenses	**44,600**	50,186	34,307
Less:			
Purchases of crude oil and products	**32,399**	37,742	23,174
Federal excise taxes and fuel charge	**2,402**	2,179	1,928
Financing	**69**	60	54
Subtotal	**34,870**	39,981	25,156
Imperial's share of equity company expenses	**76**	71	61
Total operating costs	**9,806**	10,276	9,212

Cash operating costs (Cash costs)

Cash operating costs is a non-GAAP financial measure that consists of total expenses, less Purchases of crude oil and products, Federal excise taxes and fuel charge, Financing and costs that are non-cash in nature, including Depreciation and depletion, and Non-service pension and postretirement benefit. The components of cash operating costs include (1) Production and manufacturing, (2) Selling and general and (3) Exploration, from the company's Consolidated statement of income. The sum of these income statement lines serve as an indication of cash operating costs and does not reflect the total cash expenditures of the company. The most directly comparable financial measure that is disclosed in the financial statements is total expenses within the company's Consolidated statement of income. This measure is useful for investors to understand the company's efforts to optimize cash through disciplined expense management.

Reconciliation of cash operating costs

millions of Canadian dollars	**2023**	2022	2021
From Imperial's Consolidated statement of Income			
Total expenses	**44,600**	50,186	34,307
Less:			
Purchases of crude oil and products	**32,399**	37,742	23,174
Federal excise taxes and fuel charge	**2,402**	2,179	1,928
Depreciation and depletion	**1,907**	1,897	1,977
Non-service pension and postretirement benefit	**82**	17	42
Financing	**69**	60	54
Total cash operating costs	**7,741**	8,291	7,132

Unit cash operating costs (Unit cash costs)

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

Components of unit cash operating cost

	2023			
millions of Canadian dollars	Upstream (a)	Kearl	Cold Lake	Syncrude
Production and manufacturing	**4,917**	**2,097**	**1,144**	**1,533**
Selling and general	**—**	**—**	**—**	**—**
Exploration	**5**	**—**	**—**	**—**
Cash operating costs	**4,922**	**2,097**	**1,144**	**1,533**
Gross oil-equivalent production (thousands of barrels per day)	**413**	**191**	**135**	**76**
Unit cash operating cost ($/oeb)	**32.65**	**30.08**	**23.22**	**55.26**
USD converted at the YTD average forex	**24.16**	**22.26**	**17.18**	**40.89**
2023 US$0.74				

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

	2022			
millions of Canadian dollars	Upstream (a)	Kearl	Cold Lake	Syncrude
Production and manufacturing	5,491	2,353	1,344	1,563
Selling and general	—	—	—	—
Exploration	5	—	—	—
Cash operating costs	5,496	2,353	1,344	1,563
Gross oil-equivalent production (thousands of barrels per day)	416	172	144	77
Unit cash operating cost ($/oeb)	36.20	37.48	25.57	55.61
USD converted at the YTD average forex	27.87	28.86	19.69	42.82
2022 US$0.77				

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

millions of Canadian dollars	2021			
	Upstream (a)	Kearl	Cold Lake	Syncrude
Production and manufacturing	4,661	1,902	1,117	1,388
Selling and general	—	—	—	—
Exploration	32	—	—	—
Cash operating costs	4,693	1,902	1,117	1,388
Gross oil-equivalent production (thousands of barrels per day)	428	186	140	71
Unit cash operating cost ($/oeb)	30.04	28.02	21.86	53.56
USD converted at the YTD average forex	24.03	22.42	17.49	42.85
2021 US$0.80				

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