

FORM 10-Q
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2008

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from --- to ---

Commission file number 0-12014

IMPERIAL OIL LIMITED
(Exact name of registrant as specified in its charter)

CANADA
(State or other jurisdiction of incorporation or
organization)

237 Fourth Avenue S.W.
Calgary, Alberta, Canada
(Address of principal executive offices)

98-0017682
(I.R.S. Employer
Identification No.)

T2P 3M9
(Postal Code)

Registrant's telephone number, including area code: 1-800-567-3776

The registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES NO

The registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (see definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Securities Exchange Act of 1934).

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

The registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934)
YES NO

The number of common shares outstanding, as of September 30, 2008, was 869,672,953.

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In this report all dollar amounts are expressed in Canadian dollars unless otherwise stated. This report should be read in conjunction with the company's Annual Report on Form 10-K for the year ended December 31, 2007, and Form 10-Q for the quarters ended March 31, 2008 and June 30, 2008.

Statements in this report regarding future events or conditions are forward-looking statements. Actual results could differ materially due to the impact of market conditions, changes in law or governmental policy, changes in operating conditions and costs

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED STATEMENT OF INCOME
(U.S. GAAP, unaudited)

| millions of Canadian dollars | Third quarter | | Nine months to September 30 | |
|--|---------------|--------------|--------------------------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| REVENUES AND OTHER INCOME | | | | |
| Operating revenues (a)(b) | 9,478 | 6,306 | 25,327 | 18,372 |
| Investment and other income (4) | 37 | 124 | 310 | 331 |
| TOTAL REVENUES AND OTHER INCOME | 9,515 | 6,430 | 25,637 | 18,703 |
| EXPENSES | | | | |
| Exploration | 34 | 19 | 91 | 90 |
| Purchases of crude oil and products (c) | 5,727 | 3,519 | 15,535 | 10,142 |
| Production and manufacturing (5)(d) | 1,092 | 846 | 3,183 | 2,580 |
| Selling and general (5) | 175 | 298 | 794 | 969 |
| Federal excise tax (a) | 341 | 343 | 981 | 972 |
| Depreciation and depletion | 188 | 205 | 550 | 592 |
| Financing costs (6)(e) | 1 | 10 | (2) | 33 |
| TOTAL EXPENSES | 7,558 | 5,240 | 21,132 | 15,378 |
| INCOME BEFORE INCOME TAXES | 1,957 | 1,190 | 4,505 | 3,325 |
| INCOME TAXES | 568 | 374 | 1,287 | 1,023 |
| NET INCOME (3) | 1,389 | 816 | 3,218 | 2,302 |
| | | | | |
| NET INCOME PER COMMON SHARE - BASIC (dollars) (8) | 1.57 | 0.88 | 3.62 | 2.46 |
| NET INCOME PER COMMON SHARE - DILUTED (dollars) (8) | 1.57 | 0.88 | 3.60 | 2.45 |
| DIVIDENDS PER COMMON SHARE (dollars) | 0.10 | 0.09 | 0.28 | 0.26 |
| (a) Federal excise tax included in operating revenues | 341 | 343 | 981 | 972 |
| (b) Amounts from related parties included in operating revenues | 637 | 431 | 1,856 | 1,277 |
| (c) Amounts to related parties included in purchases of crude oil and products | 1,442 | 866 | 3,951 | 2,357 |
| (d) Amounts to related parties included in production and manufacturing expenses | 48 | 55 | 138 | 148 |
| (e) Amounts to related parties included in financing costs | - | 9 | (1) | 26 |

The notes to the financial statements are an integral part of these financial statements

IMPERIAL OIL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

(U.S. GAAP, unaudited)

| inflow/(outflow) millions of Canadian dollars | Third quarter | | Nine months to September 30 | |
|--|---------------|--------------|--------------------------------|----------------|
| | 2008 | 2007 | 2008 | 2007 |
| OPERATING ACTIVITIES | | | | |
| Net income | 1,389 | 816 | 3,218 | 2,302 |
| Adjustment for non-cash items: | | | | |
| Depreciation and depletion | 188 | 205 | 550 | 592 |
| (Gain)/loss on asset sales (4) | (4) | (72) | (236) | (211) |
| Deferred income taxes and other | 137 | 9 | (105) | 98 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | 128 | (23) | (636) | (255) |
| Inventories and prepaids | (8) | (51) | (477) | (249) |
| Income taxes payable | 200 | 183 | 559 | (225) |
| Accounts payable | (409) | (80) | 654 | 400 |
| All other items - net (a) | 42 | 27 | (110) | (38) |
| CASH FROM (USED IN) OPERATING ACTIVITIES | 1,663 | 1,014 | 3,417 | 2,414 |
| INVESTING ACTIVITIES | | | | |
| Additions to property, plant and equipment and intangibles | (354) | (226) | (905) | (598) |
| Proceeds from asset sales | 19 | 82 | 260 | 268 |
| Loans to equity company | - | 1 | (2) | - |
| CASH FROM (USED IN) INVESTING ACTIVITIES | (335) | (143) | (647) | (330) |
| FINANCING ACTIVITIES | | | | |
| Short-term debt - net | - | (1) | - | 404 |
| Repayment of long-term debt | - | (250) | - | (904) |
| Long-term debt issued | - | 250 | - | 500 |
| Reduction in capitalized lease obligations | (1) | (1) | (3) | (2) |
| Issuance of common shares under stock option plan | - | 1 | 6 | 10 |
| Common shares purchased (8) | (610) | (600) | (1,806) | (1,791) |
| Dividends paid | (79) | (84) | (242) | (236) |
| CASH FROM (USED IN) FINANCING ACTIVITIES | (690) | (685) | (2,045) | (2,019) |
| INCREASE (DECREASE) IN CASH | 638 | 186 | 725 | 65 |
| CASH AT BEGINNING OF PERIOD | 1,295 | 2,037 | 1,208 | 2,158 |
| CASH AT END OF PERIOD | 1,933 | 2,223 | 1,933 | 2,223 |
| (a) Includes contribution to registered pension plans | (6) | (5) | (159) | (158) |

The notes to the financial statements are an integral part of these financial statements

IMPERIAL OIL LIMITED

| CONSOLIDATED BALANCE SHEET (U.S. GAAP, unaudited) millions of Canadian dollars | As at Sept.30 2008 | As at Dec.31 2007 |
|--|--------------------------|-------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | 1,933 | 1,208 |
| Accounts receivable, less estimated doubtful accounts | 2,770 | 2,132 |
| Inventories of crude oil and products | 898 | 566 |
| Materials, supplies and prepaid expenses | 273 | 128 |
| Deferred income tax assets | 807 | 660 |
| Total current assets | <u>6,681</u> | <u>4,694</u> |
| Long-term receivables, investments and other long-term assets | 785 | 766 |
| Property, plant and equipment, less accumulated depreciation and depletion | 23,709 <u>12,812</u> | 22,962 <u>12,401</u> |
| Property, plant and equipment, net | 10,897 | 10,561 |
| Goodwill | 204 | 204 |
| Other intangible assets, net | <u>60</u> | <u>62</u> |
| TOTAL ASSETS | <u><u>18,627</u></u> | <u><u>16,287</u></u> |
| LIABILITIES | | |
| Current liabilities | | |
| Short-term debt | 105 | 105 |
| Accounts payable and accrued liabilities (7)(a) | 3,995 | 3,335 |
| Income taxes payable | 2,057 | 1,498 |
| Current portion of capitalized lease obligations | 3 | 3 |
| Total current liabilities | <u>6,160</u> | <u>4,941</u> |
| Capitalized lease obligations | 35 | 38 |
| Other long-term obligations (7) | 1,879 | 1,914 |
| Deferred income tax liabilities | 1,503 | 1,471 |
| TOTAL LIABILITIES | <u>9,577</u> | <u>8,364</u> |
| SHAREHOLDERS' EQUITY | | |
| Common shares at stated value (8)(b) | 1,546 | 1,600 |
| Earnings reinvested (9) | 8,294 | 7,071 |
| Accumulated other comprehensive income (10) | (790) | (748) |
| TOTAL SHAREHOLDERS' EQUITY | <u>9,050</u> | <u>7,923</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u><u>18,627</u></u> | <u><u>16,287</u></u> |

(a) Accounts payable and accrued liabilities include amounts to related parties of \$556 million (2007 - \$260 million).

(b) Number of common shares outstanding was 870 million (2007 - 903 million).

The notes to the financial statements are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of financial statement presentation

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles of the United States of America and follow the same accounting policies and methods of computation as, and should be read in conjunction with, the most recent annual consolidated financial statements. In the opinion of the management, the information furnished herein reflects all known accruals and adjustments necessary for a fair presentation of the financial position of the company as at September 30, 2008, and December 31, 2007, and the results of operations and changes in cash flows for the nine months ending September 30, 2008 and 2007. All such adjustments are of a normal recurring nature. The company's exploration and production activities are accounted for under the "successful efforts" method. Certain reclassifications to the prior year have been made to conform to the 2008 presentation.

The results for the nine months ending September 30, 2008, are not necessarily indicative of the operations to be expected for the full year.

All amounts are in Canadian dollars unless otherwise indicated.

2. Accounting changes**Uncertainty in income taxes**

As of January 1, 2007, the company adopted the Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes". The cumulative adjustment for the accounting change reported in the first quarter of 2007 was an after-tax gain of \$14 million.

Fair value measurements

Effective January 1, 2008, the company adopted the Financial Accounting Standards Board's (FASB) Statement No. 157 (SFAS 157), "Fair Value Measurements" for financial assets and liabilities that are measured at fair value and nonfinancial assets and liabilities that are remeasured at fair value on a recurring basis. SFAS 157 defines fair value, establishes a framework for measuring fair value when an entity is required to use a fair value measure for recognition or disclosure purposes and expands the disclosures about fair value measurements. The initial application of SFAS 157 had no impact on the company's financial statements.

On January 1, 2009, the company will adopt SFAS 157 for nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis. The application of SFAS 157 to the company's nonfinancial assets and liabilities will mostly be limited to the recognition and measurement of nonmonetary exchange transactions, asset retirement obligations and asset impairments. The company does not expect the adoption to have a material impact on the company's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

3. Business segments

| Third quarter millions of dollars | Upstream | | Downstream | | Chemical | |
|--|--------------|--------------|--------------|--------------|------------|------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| REVENUES AND OTHER INCOME | | | | | | |
| External sales (a) | 1,692 | 1,028 | 7,393 | 4,934 | 393 | 344 |
| Intersegment sales | 1,682 | 1,227 | 747 | 552 | 132 | 74 |
| Investment and other income | 5 | 85 | 18 | 14 | - | - |
| | <u>3,379</u> | <u>2,340</u> | <u>8,158</u> | <u>5,500</u> | <u>525</u> | <u>418</u> |
| EXPENSES | | | | | | |
| Exploration (b) | 34 | 19 | - | - | - | - |
| Purchases of crude oil and products | 1,134 | 817 | 6,759 | 4,243 | 395 | 312 |
| Production and manufacturing | 671 | 479 | 369 | 321 | 52 | 46 |
| Selling and general | 2 | 2 | 256 | 251 | 19 | 19 |
| Federal excise tax | - | - | 341 | 343 | - | - |
| Depreciation and depletion | 124 | 141 | 57 | 59 | 4 | 4 |
| Financing costs | 1 | - | - | - | - | - |
| TOTAL EXPENSES | <u>1,966</u> | <u>1,458</u> | <u>7,782</u> | <u>5,217</u> | <u>470</u> | <u>381</u> |
| INCOME BEFORE INCOME TAXES | <u>1,413</u> | <u>882</u> | <u>376</u> | <u>283</u> | <u>55</u> | <u>37</u> |
| INCOME TAXES | <u>414</u> | <u>275</u> | <u>106</u> | <u>92</u> | <u>17</u> | <u>13</u> |
| NET INCOME | <u>999</u> | <u>607</u> | <u>270</u> | <u>191</u> | <u>38</u> | <u>24</u> |
| Export sales to the United States | 984 | 490 | 682 | 200 | 250 | 212 |
| Cash flows from (used in) operating activities | 1,534 | 760 | 93 | 184 | 32 | 60 |
| CAPEX (b) | 316 | 184 | 67 | 50 | 3 | 2 |

| Third quarter millions of dollars | Corporate and Other | | Eliminations | | Consolidated | |
|--|------------------------|-------------|----------------|----------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| REVENUES AND OTHER INCOME | | | | | | |
| External sales (a) | - | - | - | - | 9,478 | 6,306 |
| Intersegment sales | - | - | (2,561) | (1,853) | - | - |
| Investment and other income | 14 | 25 | - | - | 37 | 124 |
| | <u>14</u> | <u>25</u> | <u>(2,561)</u> | <u>(1,853)</u> | <u>9,515</u> | <u>6,430</u> |
| EXPENSES | | | | | | |
| Exploration (b) | - | - | - | - | 34 | 19 |
| Purchases of crude oil and products | - | - | (2,561) | (1,853) | 5,727 | 3,519 |
| Production and manufacturing | - | - | - | - | 1,092 | 846 |
| Selling and general | (102) | 26 | - | - | 175 | 298 |
| Federal excise tax | - | - | - | - | 341 | 343 |
| Depreciation and depletion | 3 | 1 | - | - | 188 | 205 |
| Financing costs | - | 10 | - | - | 1 | 10 |
| TOTAL EXPENSES | <u>(99)</u> | <u>37</u> | <u>(2,561)</u> | <u>(1,853)</u> | <u>7,558</u> | <u>5,240</u> |
| INCOME BEFORE INCOME TAXES | <u>113</u> | <u>(12)</u> | <u>-</u> | <u>-</u> | <u>1,957</u> | <u>1,190</u> |
| INCOME TAXES | <u>31</u> | <u>(6)</u> | <u>-</u> | <u>-</u> | <u>568</u> | <u>374</u> |
| NET INCOME | <u>82</u> | <u>(6)</u> | <u>-</u> | <u>-</u> | <u>1,389</u> | <u>816</u> |
| Export sales to the United States | - | - | - | - | 1,916 | 902 |
| Cash flows from (used in) operating activities | 4 | 10 | - | - | 1,663 | 1,014 |
| CAPEX (b) | 2 | 9 | - | - | 388 | 245 |

(a) Includes crude oil sales made by Downstream in order to optimize refining operations.

(b) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant, equipment and intangibles and additions to capital leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

3. Business segments (continued)

| Nine months to September 30 millions of dollars | Upstream | | Downstream | | Chemical | |
|--|--------------|--------------|---------------|---------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| REVENUES AND OTHER INCOME | | | | | | |
| External sales (a) | 4,977 | 3,377 | 19,223 | 14,016 | 1,127 | 979 |
| Intersegment sales | 4,528 | 2,977 | 2,418 | 1,609 | 374 | 247 |
| Investment and other income | 14 | 225 | 260 | 38 | 1 | - |
| | <u>9,519</u> | <u>6,579</u> | <u>21,901</u> | <u>15,663</u> | <u>1,502</u> | <u>1,226</u> |
| EXPENSES | | | | | | |
| Exploration (b) | 91 | 90 | - | - | - | - |
| Purchases of crude oil and products | 3,480 | 2,241 | 18,202 | 11,821 | 1,173 | 913 |
| Production and manufacturing | 1,927 | 1,515 | 1,097 | 925 | 159 | 140 |
| Selling and general | 5 | 6 | 732 | 728 | 56 | 54 |
| Federal excise tax | - | - | 981 | 972 | - | - |
| Depreciation and depletion | 359 | 399 | 175 | 180 | 10 | 9 |
| Financing costs | 1 | 3 | (5) | 1 | - | - |
| TOTAL EXPENSES | <u>5,863</u> | <u>4,254</u> | <u>21,182</u> | <u>14,627</u> | <u>1,398</u> | <u>1,116</u> |
| INCOME BEFORE INCOME TAXES | <u>3,656</u> | <u>2,325</u> | <u>719</u> | <u>1,036</u> | <u>104</u> | <u>110</u> |
| INCOME TAXES | <u>1,069</u> | <u>695</u> | <u>180</u> | <u>333</u> | <u>32</u> | <u>36</u> |
| NET INCOME | <u>2,587</u> | <u>1,630</u> | <u>539</u> | <u>703</u> | <u>72</u> | <u>74</u> |
| Export sales to the United States | 2,635 | 1,512 | 1,275 | 702 | 701 | 576 |
| Cash flows from (used in) operating activities | 3,075 | 1,702 | 336 | 656 | 42 | 1 |
| CAPEX (b) | 821 | 495 | 162 | 133 | 7 | 8 |
| Total assets as at September 30 | 8,790 | 7,923 | 7,820 | 6,889 | 516 | 499 |

| Nine months to September 30 millions of dollars | Corporate and Other | | Eliminations | | Consolidated | |
|--|------------------------|--------------|----------------|----------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| REVENUES AND OTHER INCOME | | | | | | |
| External sales (a) | - | - | - | - | 25,327 | 18,372 |
| Intersegment sales | - | - | (7,320) | (4,833) | - | - |
| Investment and other income | 35 | 68 | - | - | 310 | 331 |
| | <u>35</u> | <u>68</u> | <u>(7,320)</u> | <u>(4,833)</u> | <u>25,637</u> | <u>18,703</u> |
| EXPENSES | | | | | | |
| Exploration (b) | - | - | - | - | 91 | 90 |
| Purchases of crude oil and products | - | - | (7,320) | (4,833) | 15,535 | 10,142 |
| Production and manufacturing | - | - | - | - | 3,183 | 2,580 |
| Selling and general | 1 | 181 | - | - | 794 | 969 |
| Federal excise tax | - | - | - | - | 981 | 972 |
| Depreciation and depletion | 6 | 4 | - | - | 550 | 592 |
| Financing costs | 2 | 29 | - | - | (2) | 33 |
| TOTAL EXPENSES | <u>9</u> | <u>214</u> | <u>(7,320)</u> | <u>(4,833)</u> | <u>21,132</u> | <u>15,378</u> |
| INCOME BEFORE INCOME TAXES | <u>26</u> | <u>(146)</u> | <u>-</u> | <u>-</u> | <u>4,505</u> | <u>3,325</u> |
| INCOME TAXES | <u>6</u> | <u>(41)</u> | <u>-</u> | <u>-</u> | <u>1,287</u> | <u>1,023</u> |
| NET INCOME | <u>20</u> | <u>(105)</u> | <u>-</u> | <u>-</u> | <u>3,218</u> | <u>2,302</u> |

| | | | | | | |
|--|-------|-------|-------|-------|--------|--------|
| Export sales to the United States | - | - | - | - | 4,611 | 2,790 |
| Cash flows from (used in) operating activities | (36) | 55 | - | - | 3,417 | 2,414 |
| CAPEX (b) | 6 | 25 | - | - | 996 | 661 |
| Total assets as at September 30 | 1,956 | 2,256 | (455) | (314) | 18,627 | 17,253 |

(a) Includes crude oil sales made by Downstream in order to optimize refining operations

(b) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant, equipment and intangibles and additions to capital leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

4. Investment and other income

Investment and other income includes gains and losses on asset sales as follows

| millions of dollars | Third quarter | | Nine months to September 30 | |
|--|---------------|------|--------------------------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| Proceeds from asset sales | 19 | 82 | 260 | 268 |
| Book value of assets sold | 15 | 10 | 24 | 57 |
| Gain/(loss) on asset sales, before tax (a) | 4 | 72 | 236 | 211 |
| Gain/(loss) on asset sales, after tax (a) | 2 | 51 | 203 | 152 |

- (a) Third quarter of 2007 included a gain of \$71 million (\$51 million, after tax) from the sale of the company's interest in the Willesden Green producing property.

5. Employee retirement benefits

The components of net benefit cost included in production and manufacturing and selling and general expenses in the consolidated statement of income are as follows:

| millions of dollars | Third quarter | | Nine months to September 30 | |
|------------------------------------|---------------|------|--------------------------------|-------|
| | 2008 | 2007 | 2008 | 2007 |
| Pension benefits: | | | | |
| Current service cost | 24 | 25 | 71 | 75 |
| Interest cost | 67 | 62 | 203 | 185 |
| Expected return on plan assets | (82) | (83) | (247) | (247) |
| Amortization of prior service cost | 5 | 5 | 14 | 15 |
| Recognized actuarial loss | 22 | 19 | 68 | 57 |
| Net benefit cost | 36 | 28 | 109 | 85 |
| Other post-retirement benefits: | | | | |
| Current service cost | 2 | 1 | 5 | 4 |
| Interest cost | 7 | 5 | 19 | 17 |
| Recognized actuarial loss | 1 | 2 | 4 | 5 |
| Net benefit cost | 10 | 8 | 28 | 26 |

6. Financing costs

| millions of dollars | Third quarter | | Nine months to September 30 | |
|-----------------------|---------------|------|--------------------------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| Debt related interest | 2 | 18 | 6 | 51 |
| Capitalized interest | (2) | (9) | (6) | (25) |
| Net interest expense | - | 9 | - | 26 |
| Other interest | 1 | 1 | (2) | 7 |
| Total financing costs | 1 | 10 | (2) | 33 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

7. Other long-term obligations

| millions of dollars | As at Sept.30 2008 | As at Dec.31 2007 |
|--|--------------------------|-------------------------|
| Employee retirement benefits (a) | 904 | 954 |
| Asset retirement obligations and other environmental liabilities (b) | 516 | 522 |
| Share-based incentive compensation liabilities | 253 | 210 |
| Other obligations | 206 | 228 |
| Total other long-term obligations | 1,879 | 1,914 |

- (a) Total recorded employee retirement benefits obligations also include \$59 million in current liability: (December 31, 2007 - \$59 million).
- (b) Total asset retirement obligations and other environmental liabilities also include \$74 million in current liability: (December 31, 2007 - \$74 million).

8. Common shares

| thousands of shares | As at Sept.30 2008 | As at Dec.31 2007 |
|---------------------------|--------------------------|-------------------------|
| Authorized | 1,100,000 | 1,100,000 |
| Common shares outstanding | 869,673 | 903,263 |

From 1995 through 2007, the company purchased shares under thirteen 12-month normal course issuer bid share repurchase programs, as well as an auction tender. On June 25, 2008, another 12-month normal course issuer bid program was implemented with an allowable purchase of 44.2 million shares (five percent of the total on June 24, 2008), less shares purchased from Exxon Mobil Corporation and shares purchased by the employee saving plan and company pension fund. The results of these activities are as shown below:

| Year | shares | millions of dollars |
|------------------------------|--------|------------------------|
| 1995 - 2006 | 795.6 | 10,453 |
| 2007 - Third quarter | 12.8 | 600 |
| - Full year | 50.5 | 2,358 |
| 2008 - Third quarter | 12.4 | 610 |
| - Year-to-date | 34.0 | 1,806 |
| Cumulative purchases to date | 880.1 | 14,617 |

Exxon Mobil Corporation's participation in the above share repurchase maintained its ownership interest in Imperial at 69.6 percent

The excess of the purchase cost over the stated value of shares purchased has been recorded as a distribution of earnings reinvested

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The following table provides the calculation of net income per common share

| | Third quarter | | Nine months to September 30 | |
|---|---------------|-------|--------------------------------|-------|
| | 2008 | 2007 | 2008 | 2007 |
| Net income per common share - basic | | | | |
| Net income (millions of dollars) | 1,389 | 816 | 3,218 | 2,302 |
| Weighted average number of common shares outstanding (millions of shares) | 877.3 | 922.0 | 888.4 | 935.0 |
| Net income per common share (dollars) | 1.57 | 0.88 | 3.62 | 2.46 |
| Net income per common share - diluted | | | | |
| Net income (millions of dollars) | 1,389 | 816 | 3,218 | 2,302 |
| Weighted average number of common shares outstanding (millions of shares) | 877.3 | 922.0 | 888.4 | 935.0 |
| Effect of employee share-based awards (millions of shares) | 6.5 | 5.9 | 6.4 | 5.7 |
| Weighted average number of common shares outstanding, assuming dilution (millions of shares) | 883.8 | 927.9 | 894.8 | 940.7 |
| Net income per common share (dollars) | 1.57 | 0.88 | 3.60 | 2.45 |

9. Earnings reinvested

| millions of dollars | Third quarter | | Nine months to September 30 | |
|--|---------------|-------|--------------------------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| Earnings reinvested at beginning of period | 7,581 | 6,659 | 7,071 | 6,462 |
| Cumulative effect of accounting change (2) | - | - | - | 14 |
| Net income for the period | 1,389 | 816 | 3,218 | 2,302 |
| Share purchases in excess of stated value | (588) | (577) | (1,746) | (1,721) |
| Dividends | (88) | (83) | (249) | (242) |
| Earnings reinvested at end of period | 8,294 | 6,815 | 8,294 | 6,815 |

10. Comprehensive income

| millions of dollars | Third quarter | | Nine months to September 30 | |
|--|---------------|------|--------------------------------|-------|
| | 2008 | 2007 | 2008 | 2007 |
| Net income | 1,389 | 816 | 3,218 | 2,302 |
| Post-retirement benefit liability adjustment (excluding amortization) | - | - | (105) | (28) |
| Amortization of post retirement benefit liability adjustment included in net periodic benefit costs | 21 | 18 | 63 | 53 |
| Other comprehensive income (net of income taxes) | 21 | 18 | (42) | 25 |
| Total comprehensive income | 1,410 | 834 | 3,176 | 2,327 |

IMPERIAL OIL LIMITED

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OPERATING RESULTS

The company's net income for the third quarter of 2008 was a record \$1,389 million or \$1.57 a share on a diluted basis, compared with \$816 million or \$0.88 a share for the same period last year. Net income for the first nine months of 2008 was \$3,218 million or \$3.60 a share on a diluted basis, versus \$2,302 million or \$2.45 a share for the first nine months of 2007.

Earnings in the third quarter were higher than the same quarter of 2007 as earnings improved in all segments. In the Upstream, higher crude oil and natural gas commodity prices were partially offset by the negative impacts of lower volumes, higher royalties, and higher energy and planned maintenance costs. Higher Downstream earnings were primarily due to stronger margins. Chemical earnings benefited from higher margins for polyethylene products. Lower share-based compensation costs also contributed to higher earnings.

For the first nine months, earnings increased primarily due to higher crude oil and natural gas commodity prices. Improved upstream realizations were partially offset by the negative impacts of lower upstream volumes, higher royalties, lower overall downstream margins and a stronger Canadian dollar.

Upstream

Net income in the third quarter was a record \$999 million, \$392 million higher than the same period in 2007. Increased earnings were primarily due to higher crude oil and natural gas commodity prices totaling about \$960 million. Improved realizations were partially offset by the negative impacts of higher royalties of about \$150 million, lower conventional volumes from expected reservoir decline of about \$95 million, lower cyclical Cold Lake heavy oil production of about \$85 million and lower Syncrude volumes of about \$70 million. Earnings were also negatively impacted by higher energy and planned Syncrude maintenance costs totaling about \$120 million and lower gains from asset divestments of about \$50 million.

Net income for the first nine months was \$2,587 million versus \$1,630 million during the same period last year. Crude oil and natural gas commodity prices were stronger by about \$2,500 million. Their positive impact on earnings was partially offset by lower conventional volumes of about \$375 million, lower Syncrude volumes of about \$130 million and lower cyclical Cold Lake heavy oil production of about \$70 million. Earnings were also negatively impacted by higher royalties of about \$425 million, a stronger Canadian dollar of about \$180 million, higher energy, Syncrude maintenance, and other production costs totaling about \$240 million and lower gains from asset divestments of about \$140 million.

Gross production of Cold Lake heavy oil averaged 143 thousand barrels a day during the third quarter, versus 160 thousand barrels in the same quarter last year. For the first nine months, gross production was 147 thousand barrels a day this year, compared with 152 thousand barrels in the same period of 2007. Lower production volumes in the third quarter and nine months of 2008 were due to the cyclic nature of production at Cold Lake.

The company's share of Syncrude's gross production in the third quarter was 79 thousand barrels a day compared with 87 thousand barrels during the same period a year ago. Lower volumes were attributed to planned maintenance of a coker unit which began in the third quarter. During the nine-month period, the company's share of gross production from Syncrude averaged 71 thousand barrels a day, down from 76 thousand barrels in 2007. Lower volumes were due primarily to unplanned shutdowns in the first quarter and planned maintenance activities in the second and third quarters of 2008.

IMPERIAL OIL LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued

In both the third quarter and nine months of 2008, gross production of conventional crude oil averaged 27 thousand barrels a day and was essentially the same when compared to corresponding periods in 2007.

Gross production of natural gas during the third quarter of 2008 decreased to 309 million cubic feet a day from 430 million cubic feet in the same period last year. In the first nine months of the year, gross production was 315 million cubic feet a day, down from 482 million in the first nine months of 2007. The lower production volume was primarily due to the decline, as expected, in production from the Wizard Lake gas cap blowdown, which is largely complete.

Gross production of natural gas liquids (NGLs) available for sale was 9 thousand barrels a day in the third quarter, down from 16 thousand barrels in the same quarter last year. During the first nine months of 2008, gross production of NGLs available for sale decreased to 11 thousand barrels a day, from 17 thousand barrels in 2007. The lower production volumes in the third quarter and the first nine months of 2008 were mainly due to the expected decline in production from Wizard Lake.

Downstream

Net income was \$270 million in the third quarter of 2008, compared with \$191 million in the same period a year ago. Earnings were higher mainly due to stronger margins in the quarter. Also contributing to higher earnings was increased throughput at the refineries, with refinery utilization averaging 93 percent in the third quarter.

Nine-month net income was \$539 million compared with \$703 million in 2007. Earnings decreased primarily due to lower overall downstream margins of about \$285 million and the negative impact of a stronger Canadian dollar of about \$50 million. These factors were partially offset by a gain of \$187 million from the sale of the company's equity investment in Rainbow Pipe Line Co. Ltd. in the second quarter of 2008.

Chemical

Net income was \$38 million in the third quarter, compared with \$24 million in the same quarter last year. Higher earnings in the third quarter were primarily due to higher margins for polyethylene products partially offset by lower overall sales volumes. Nine-month net income was \$72 million, compared with \$74 million in 2007. Lower margins for intermediate and other chemical products were essentially offset by higher margins for polyethylene products.

Corporate and other

Net income effects were \$82 million in the third quarter, compared with negative \$6 million in the same period of 2007. For the nine months of 2008, net income effects were \$20 million, versus negative \$105 million last year. Favourable earnings effects in the third quarter and the first nine months of 2008 were primarily due to lower share-based compensation charges.

IMPERIAL OIL LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities was \$1,663 million during the third quarter of 2008, \$649 million higher than the same period last year. Year-to-date cash flow from operating activities was \$3,417 million, an increase of \$1,003 million from the first nine months of 2007. Higher cash flow in the third quarter and the nine months of 2008 were primarily due to higher earnings.

Investing activities used net cash of \$335 million in the third quarter and \$647 million in the nine months of 2008, compared to \$143 million and \$330 million in the corresponding periods in 2007. Additions to property, plant and equipment were \$354 million in the third quarter, compared with \$226 million during the same quarter of 2007, and \$905 million in the first nine months, compared with \$598 million in the first nine months of 2007. For the Upstream segment, capital and exploration expenditures included ongoing development drilling at Cold Lake to maintain and expand production capacity, advancing the Kearn oil sands project, investments in facilities improvement at Syncrude, drilling at conventional fields in Western Canada and a 3-D seismic program in the Beaufort Sea. The Downstream segment's capital expenditures were focused mainly on reducing air emissions and improving refinery reliability and utilization. Proceeds from asset sales were \$260 million in the nine months of 2008 compared with \$268 million in the corresponding period of 2007.

During the third quarter and the first nine months of 2008, the company repurchased about 12 million shares for \$610 million and about 34 million shares for \$1,806 million, respectively. Under the current share repurchase program, which began on June 25, 2008, the company has purchased about 14 million shares, including shares purchased from ExxonMobil.

Cash dividends of \$242 million were paid in the first nine months of 2008 compared with dividends of \$236 million in the same period of 2007. On July 31, 2008, the company declared a quarterly dividend of ten cents a share, an increase of one cent a share from the previous quarter, payable on October 1, 2008. Per-share dividends declared in the first three quarters of 2008 totaled \$0.28, up from \$0.26 in the same period of 2007.

The above factors led to an increase in the company's balance of cash to \$1,933 million at September 30, 2008, from \$1,208 million at the end of 2007.

IMPERIAL OIL LIMITED

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Information about market risks for the nine months ended September 30, 2008 does not differ materially from that discussed on page 29 in the company's annual report on Form 10-K for the year ended December 31, 2007 and Form 10-Q for the quarters ended March 31, 2008 and June 30, 2008 except for the following:

| | |
|--|-----------|
| Earnings sensitivity (a) millions of dollars after tax | |
| Nine cents decrease (increase) in the value of the Canadian dollar versus the U.S. dollar | + (-) 600 |

The sensitivity of net income to changes in the Canadian dollar versus the U.S. dollar decreased from the second quarter of 2008 by about \$5 million (after tax) for each one-cent difference. This was primarily due to the decrease in crude oil prices partially offset by the impacts of narrowing price spread between light crude oil and Cold Lake heavy oil and higher industry refining margins.

(a) The amount quoted to illustrate the impact of the sensitivity represents a change of about 10 percent in the value of the commodity at the end of the third quarter 2008. The sensitivity calculation shows the impact on annual net income that results from a change in one factor, after tax and royalties and holding all other factors constant. While the sensitivity is applicable under current conditions, it may not apply proportionately to larger fluctuations.

Item 4. Controls and Procedures.

As indicated in the certifications in Exhibit 31 of this report, the company's principal executive officer and principal financial officer have evaluated the company's disclosure controls and procedures as of September 30, 2008. Based on that evaluation, these officers have concluded that the company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to them in a manner that allows for timely decisions regarding required disclosures and are effective in ensuring that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has not been any change in the company's internal control over financial reporting during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the period July 1, 2008 to September 30, 2008, the company issued 12,210 common shares to employees or former employees outside the U.S.A. for \$15.50 per share upon the exercise of stock options. These issuances were not registered under the *Securities Act* in reliance on Regulation S thereunder.

Issuer Purchases of Equity Securities (1)

| Period | (a) Total number of shares (or units) purchased | (b) Average price paid per share (or unit) | (c) Total number of shares (or units) purchased as part of publicly announced plans or programs | (d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs |
|---|---|--|---|---|
| July 2008 (July 1- July 31) | 1,478,944 | \$53.52 | 1,478,944 | 41,473,215 |
| August 2008 (August 1 - August 31) | 5,190,375 | \$50.89 | 5,190,375 | 36,223,864 |
| September 2008 (September 1 - September 30) | 5,742,545 | \$46.39 | 5,742,545 | 30,417,719 |

- (1) On June 23, 2008, the company announced by news release that it had received final approval from the Toronto Stock Exchange for a new normal course issuer bid and will continue its share repurchase program. The new program enables the company to repurchase up to a maximum of 44,194,961 common shares, including common shares purchased for the company's employee savings plan, the company's employee retirement plan and from Exxon Mobil Corporation during the period June 25, 2008 to June 24, 2009. If not previously terminated, the program will end on June 24, 2009.

Item 6. Exhibits.

(31.1) Certification by the principal executive officer of the company pursuant to Rule 13a-14(a).

(31.2) Certification by the principal financial officer of the company pursuant to Rule 13a-14(a).

(32.1) Certification by the chief executive officer and of the company pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350.

(32.2) Certification by the chief financial officer and of the company pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements of the *Securities Exchange Act* of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IMPERIAL OIL LIMITED
(Registrant)

/s/ Paul. A. Smith

Date: October 30, 2008

(Signature)
Paul A. Smith
Senior Vice-President, Finance and
Administration and Treasurer
(Principal Accounting Officer)

/s/ Brent. A. Latimer

Date: October 30, 2008

(Signature)
Brent A. Latimer
Assistant Secretary

CERTIFICATIONS

I, Bruce H. March, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Imperial Oil Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2008

/s/ Bruce. H. March

Bruce H. March
Chairman of the Board, President and
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Paul A. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Imperial Oil Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2008

/s/ Paul A. Smith

Paul A. Smith
Senior Vice-President, Finance and
Administration and Treasurer
(Principal Financial Officer)

**Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350**

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act* of 2002, the undersigned, Bruce H. March, the chief executive officer of Imperial Oil Limited (the "Company"), hereby certifies that, to his knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2008, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the *Securities Exchange Act* of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 30, 2008

/s/ Bruce. H. March

Bruce H. March
Chairman of the Board, President and
Chief Executive Officer

**Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350**

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act* of 2002, the undersigned, Paul A. Smith, the chief financial officer of Imperial Oil Limited (the "Company"), hereby certifies that, to his knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2008, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the *Securities Exchange Act* of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 30, 2008

/s/ Paul A. Smith

Paul A. Smith
Senior Vice-President, Finance and
Administration and Treasurer
(chief financial officer)