



## Sustainable Oil Sands Sector Index™ July 2006 Commentary

Energy stocks performed well in July with the exception of the Canadian oil sands producers. The best performing group was the large capitalization oil company stocks such as ExxonMobil, BP, Royal Dutch Shell and Chevron. These stocks have been underperforming both the sector and the rise in crude oil prices since the beginning of the bull market in 2003/2004. The recent outperformance might be a catch up phase in recognition of their strong financial results.

Security	Index	Region	July 2006 Return
XEG on Toronto	S&P/TSX Capped Energy	Canada	1.5%*
XLE on AMEX	S&P Energy Sector	US	3.4%**
IXC on AMEX	S&P Global Energy Index	Global	4.2%**
<b>SOSSI Index</b>	<b>Oil Sands Sector Index™</b>	<b>Canada</b>	<b>-2.7%*</b>

\* Return in Canadian dollar terms. \*\*Return in US dollar terms.

Crude oil was flat for the month of July and finished in the mid \$74 range. The underperformance of the SOSSI index was related to concerns early in the month about cost overruns at one of Canada's largest oil sands projects, the Athabasca Oil Sands Project. The project is a joint venture between Shell Canada (60%), Western Oil Sands (20%) and Chevron (20%). Their latest projections show that cost overruns are in the neighborhood of 85% plus. This resulted in a major pullback in most oil sands stocks that are still in the construction phase or are contemplating starting new projects.

My views on the topic can be seen on a recent Report On Business Television interview that can be viewed at [www.oilsandsindex.com/press.php](http://www.oilsandsindex.com/press.php). A quick summary is that the cost overruns are significantly lower than the rise in crude oil prices and that all the projects are economically viable at crude oil prices above \$40/barrel.

The theme this week is that the companies with the most exposure to rising development costs were hit the hardest as indicated by the double digit losses in Western Oil Sands, Synenco Energy and UTS Energy.

### Top Performing Stocks in July

Petrobank Energy	10.4%
Husky Energy	9.7 %
Nexen	5.2%

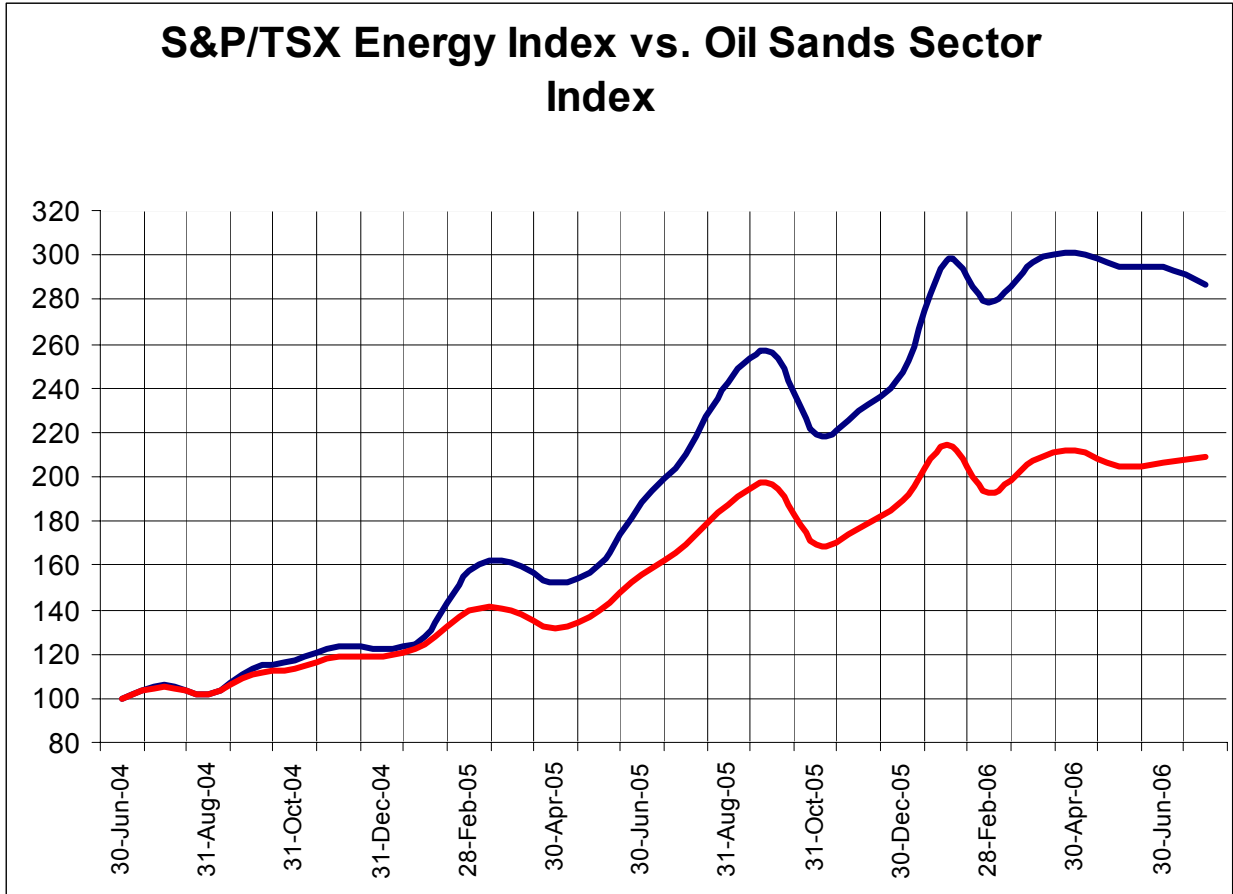
### Worst Performing Stocks in July

Western Oil Sands	-16.1%
Synenco Energy	-15.1%
UTS Energy	-12.3%



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The following chart shows the recent trend which shows that the Sustainable Oil Sands Index is starting to underperform the S&P/TSX Capped Energy Index benchmark. Despite the recent results, the oil sands index is still outperforming the benchmark by over 80% since inception in June 2004.



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