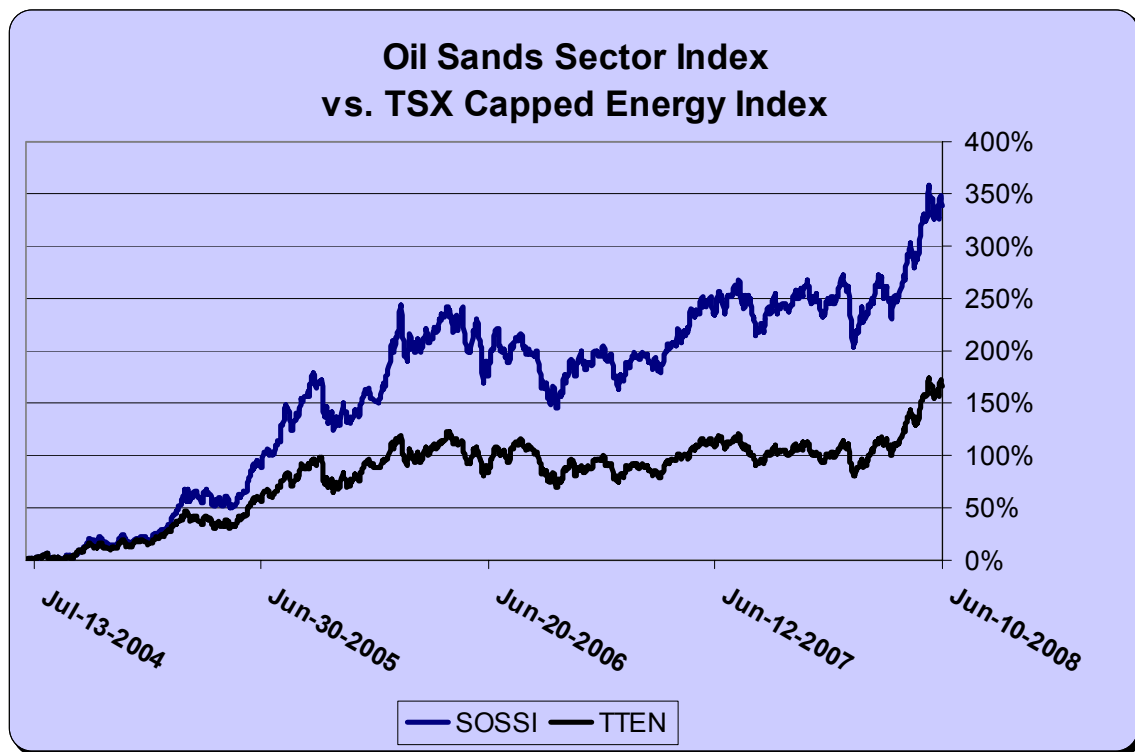




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## Sustainable Oil Sands Sector Index™ (SOSSI) June 2008 Commentary

It has been almost 4 years since I started tracking the current and future oil sands producers as an investment index and I am amazed at the changes in the sector since that time. The initial idea was to track the performance of oil sands focused companies and exclude oilfield service companies and conventional oil and gas producers. The rationale was that future production growth would come from the oil sands and that conventional oil and gas production would decline long term in Canada. My expectation was that an investor in oil sands producers would have substantially higher returns as the production mix shifted to heavy oil/oil sands in the future. The results over the last four years have been very encouraging (see chart below).



The benchmark S&P/TSX Capped Energy Index (Symbol: TTEN) which includes service companies, trusts, oil sands and conventional oil and gas producers is up 165.7% or a compound annual rate of return of 28.1%. The Sustainable Oil Sands Sector Index began outperforming the benchmark index in early 2005 when crude oil climbed above \$50 per barrel and is now up 338.7% or 45.5% compound annual rate of return over the same period.



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The index initially had 13 TSX listed companies in 2004 which climbed to 17 in 2007 prior to a wave of mergers and acquisition in the sector. Currently, there are 15 companies in the index in the following proportions as of June 10, 2008:

Suncor Energy	11.89%
Canadian Oil Sands	9.66%
Imperial Oil	8.56%
Oilsands Quest	7.92%
UTS Energy	7.91%
OPTI Canada	7.80%
Canadian Natural Resources	7.33%
Petrobank Energy	7.08%
Connacher Oil & Gas	6.61%
EnCana Corp	6.03%
Husky Energy	4.85%
Nexen	4.34%
Petro-Canada	3.51%
Penn West Energy Trust	3.43%
Enerplus Resources	3.07%

Index	Symbol	Region	May 2008 Return
NYMEX Natural Gas	NGAS	US	10.1 %**
NYMEX Crude Oil	OIL	US	12.2%**
<b>Oil Sands Sector Index</b> <sup>TM</sup>	<b>SOSSI</b>	<b>Canada</b>	<b>10.2%*</b>
S&P/TSX Capped Energy	TTEN	Canada	10.7%*

\* Return in Canadian dollar terms.

\*\*Return in US dollar terms.

**Top Performing Stocks May 2008**

**Worst Performing Stocks May 2008**

Suncor Energy	19.3%
Petrobank Energy	18.1%
Connacher Oil & Gas	16.0%
Canadian Natural Res	13.7%
Petro-Canada	13.6%

Imperial Oil	-2.8%
Enerplus Resources	2.9%
UTS Energy	3.5%
Oilsands Quest	5.1%
OPTI Canada	5.5%



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There was strong evidence that US investors rediscovered Canada's oil sands producers in May. For instance, the trading was heaviest in the key large cap companies such as Suncor, Encana, and Canadian Natural Resources that are listed on the US exchanges. Also, the number of shares traded in the US was substantially higher than on the Toronto stock exchange. Companies that have existing oil sands production or have production that is near startup performed well in May. The only losing stock in the index was Imperial Oil which had an issue with obtaining a federal government water license for its Kearl Oil Sands project. Also, companies that are not expected to be producing for many years such as UTS and Oilsands Quest did poorly as investors discounted their future prospects given rising material and labour costs.

Next month I will discuss the new additions and changes to the index after the June 30 rebalancing and review the factors that will influence the index during the second half of 2008.

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