

areas of strategic focus

Canadian Oil Sands focuses on four strategic areas. Our short-term and long-term goals for each are outlined below.

Operations

Syncrude Canada Ltd. is the operator of the Syncrude project. Imperial Oil, a 25 percent owner of the project, supports Syncrude by providing expertise, systems and people. Canadian Oil Sands Trust works with Syncrude and its joint venture owners to set the strategic direction for the project and approve significant operational and strategic decisions.

Growth

Near-term production growth is expected as Syncrude ramps up to its facility's current design capacity of 350,000 barrels per day. Beyond this, Syncrude has a staged expansion plan to grow production to 500,000 barrels per day post-2016 (184,000 barrels per day net to the Trust's 36.74 percent interest). Syncrude is also assessing its ultimate production potential based on higher TV/BIP thresholds.

The cost and timing of Syncrude's expansion plans have not yet been approved by its owners.

Distributions

Canadian Oil Sands determines and pays its distributions on a quarterly basis. In determining distributions, Canadian Oil Sands considers financial and operating performance, capital expenditures and other operating obligations. We take a long-term view that also considers current and expected economic and operating conditions. Our overriding objective is to maintain a strong balance sheet, supporting our capacity to finance growth opportunities and remain unhedged on our crude oil production.

Business environment

Our Syncrude project depends on a supportive regulatory and fiscal regime to operate and expand its business. We understand the impact our business has on communities, the environment and the Canadian economy, and we are committed to stewarding our Syncrude operations in a sustainable manner.

2007 Progress

- Achieved record annual production;
- Began producing a higher quality synthetic crude oil in the third quarter, ahead of the revised 2008 timeframe; and
- Established new records for worker safety.

- Formed the new Growth Development Planning and Major Projects Committee to pursue Syncrude's growth plans;
- Secured owner commitments to fund the initial design of future expansions; and
- Engaged independent evaluators to identify resource potential on Syncrude's leases, which resulted in a best estimate for remaining recoverable resources of 12.7 billion barrels of SCO (gross to Syncrude). See table on "the Syncrude Project" foldout.

- Raised quarterly distribution from \$0.30 per Trust Unit to \$0.55 per Trust Unit.

- Syncrude reclaimed more than 80 hectares of land;
- Syncrude reduced flaring by 50 percent over 2006, thereby lowering emissions and energy costs;
- Syncrude donated \$4.3 million to Alberta communities; and
- Syncrude paid \$1.3 billion in Crown royalties to the Alberta government.

2008 Plan

- Complete an extensive maintenance program that includes two coker turnarounds and hydrogen plant modifications;
- Improve reliability of mining and upgrading operations;
- Increase production to an average 315,000 barrels per day; and
- Maintain focus on worker safety.

- Begin preliminary design of Syncrude's Stage 3 debottleneck and Stage 4 expansion plans;
- Continue to better define the resource estimates on Syncrude's leases, particularly the Aurora South leases; and
- Continue to evaluate opportunities for Canadian Oil Sands to acquire additional oil sands interests both within and outside the Syncrude Project.

- Maintain an efficient capital structure during the trust taxation transition period by providing fuller payout of cash from operating activities unless investment growth opportunities arise that offer investors better value; as indicated by increasing distributions to \$0.75 per Trust Unit for the distribution paid in February 2008.

- Continue to work with the Alberta government to receive certification for a parcel of reclaimed land (Syncrude is the first oil sands operator to apply for such certification); and
- Preserve value embedded in the Syncrude Crown royalty agreement through on-going negotiations with the Alberta government.

Beyond 2008

- Establish sustained design capacity rates of 350,000 barrels per day; and
- Identify a solution to recycle ammonia produced on-site in the operation of our flue gas desulphurizer.

- Proceed with Syncrude's expansion plans, employing ExxonMobil's engineering, procurement and construction management expertise.

- Continue to maintain an efficient capital structure during the trust taxation transition period;
- Increase net debt to \$1.6 billion by the end of 2010 to reduce cost of capital and preserve tax pools until trust taxation takes effect;
- Establish the best structure for Canadian Oil Sands' investors, which at this time appears to be conversion to a corporation; and
- Re-evaluate the distribution and financing plan based on the selected structure and opportunities for investment post-2011.

- Complete the Syncrude Emissions Reduction project to reduce sulphur dioxide emissions;
- Implement measures to reduce energy intensity, thereby reducing operating costs and carbon dioxide ("CO₂") emissions;
- Continue to explore the viability of developing a large scale CO₂ capture, transportation and storage network through participation in the Integrated CO₂ Network (ICON);
- Improve and supplement effectiveness of tailings systems; and
- Explore new ways to continue to reduce our impact on the environment, focusing on technology development.