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Sustainable Oil Sands Sector Index™ (SOSSI) Special Commentary UTS Energy Takeover January 29, 2009

Yesterday's surprise offer by Total of France for UTS was not a surprise to me. I recently presented at the Toronto Financial Forum imploring Canadian investors to hold on to their oil sands stocks or else cash rich multinational companies with over inflated dollars and Euros will buy us on the cheap. How cheap, you ask?

	3P Reserves in Millions	Market Value in Millions	Market Value/ Total Reserves
Canadian Oil Sands	4,700	8,667	\$1.84
Connacher Oil and Gas	808	436	\$0.54
OPTI Canada	941	333	\$0.35
Suncor Energy	20,565	23,481	\$1.14
UTS Energy	2,201	820	\$0.37

In some cases such as UTS Energy, OPTI and Connacher Oil and Gas, these reserves will not be developed for decades and there is a need to invest billions to extract them. Companies such as Suncor and Canadian Oil Sands are major producers and have a higher valuation for their reserves because the resources are already in place to extract them. Regardless of the quality of the reserves or the cost of extracting them, the sub \$1.00 per barrel valuation level is very cheap from a historical perspective. The true profits from Canada's oil sands is not selling the reserves before they are even developed but from extracting the bitumen and upgrading it to a more valuable product such as crude oil, gasoline, plastics, etc. You can look at selling out your investment for a quick short term gain but you will miss out on the huge profits that will be made in developing UTS' 2.2 billion barrels of potential oil reserves over time.

That being the intellectual framework for this discussion, UTS is incredibly undervalued at the \$1.30 cash price offered by Total.

1. UTS is a debt free corporation that raised a huge amount of capital before the crash and is sitting on \$280 MM in cash or \$0.59 per share.
2. UTS has agreements with PetroCanada and Teck Cominco that says they will contribute a certain portion of UTS's portion of the project development costs. At present estimates of development costs this could be worth over \$1.7 Billion or \$2.00 per share.



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3. No value is being given for the other oil sands leases such as Equinox. This may be because their partner is Teck Cominco which is having financial difficulties of their own. However, keep in mind that UTS is debt free, they can wait out this financial crisis and short term decline in oil demand until the world comes begging for Canadian oil again

One of the largest shareholders of Total is the Desmarais family of Montreal. Total was successful in absorbing the Northern Lights project from troubled Synenco Energy for just \$0.43 per barrel of potential reserves in 2007. Of all the major oil companies, Total is the most honest in that they have publicly stated that peak oil production is rapidly approaching and that IEA projections for rising oil production in the future are unrealistic. They have taken the next step and realized that the last great reserves of oil that they can own and control are in Canada's oil sands. It is time we as investors start to place a premium on our oil sands investments and recognize their true worth. In the meantime, do not submit your shares to this offer under any circumstances, even if they double it to \$2.60 per share. Non merci, Total!

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