

CCS INCOME TRUST
ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2002

May 16, 2003

TABLE OF CONTENTS

CCS INCOME TRUST.....	3
General.....	3
Organizational Structure of the Trust.....	4
Summary Description of Business.....	4
The Arrangement.....	5
BUSINESS OF CCS INC.....	5
General Development of the Business.....	6
CCS Energy Services Division (formerly Treatment, Recovery and Disposal).....	6
Well Servicing Division.....	6
Significant Acquisitions and Dispositions.....	6
Trends.....	8
General.....	9
Energy Services Division.....	9
Well Servicing Division.....	11
Capital Expenditures.....	13
Industry Conditions.....	13
ADDITIONAL INFORMATION RESPECTING CCS INCOME TRUST.....	14
Trust Units.....	14
Special Voting Rights.....	15
Trust Unitholder Limited Liability.....	15
Issuance of Trust Units.....	15
Cash Distributions.....	15
Redemption Right.....	16
Non-Resident Trust Unitholders.....	17
Meetings of Trust Unitholders.....	18
Exercise of Voting Rights Attached to Shares of CCSI.....	18
The Trust Trustee.....	18
Delegation of Authority, Administration and Trust Governance.....	19
Liability of the Trustee.....	19
Amendments to the Trust Indenture.....	19
Take-over Bid.....	20
Termination of the Trust.....	20
Reporting to Trust Unitholders.....	20
Management of the Trust.....	20
ADDITIONAL INFORMATION RESPECTING CCS INC.....	21
General.....	21
Management of CCSI.....	22
Distribution Policy.....	23
CCSI Share Capital.....	23
Voting and Exchange Trust Agreement.....	27
Support Agreement.....	28
Notes.....	29
Management of CCSI.....	30
SELECTED CONSOLIDATED FINANCIAL INFORMATION.....	30
Annual Information (\$000's except for per share information).....	31
Quarterly Information.....	31
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	31
Management's Discussion of Financial Position and Variation in Operating Results.....	31
MARKET FOR SECURITIES.....	31
DISTRIBUTIONS.....	32
RISK FACTORS.....	32
ADDITIONAL INFORMATION.....	34

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form, and in certain documents incorporated by reference into this annual information form, constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Trust and CCSI believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this annual information form should not be unduly relied upon. These statements speak only as of the date of this annual information form or as of the date specified in the documents incorporated by reference into this annual information form, as the case may be.

In particular, this annual information form, and the documents incorporated by reference contain forward-looking statements pertaining to the following:

- capital expenditure programs;
- projections of market prices and costs;
- expectations regarding the ability to raise capital; and
- treatment under governmental regulatory regimes.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this annual information form:

- liabilities inherent in our operations;
- uncertainties associated with estimating oil and natural gas reserves and prices and sector activity levels;
- competition for, among other things, capital, acquisitions and skilled personnel;
- incorrect assessments of the value of acquisitions;
- technical and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility; and
- the other factors discussed under "Risk Factors".

These factors should not be construed as exhaustive. Neither the Trust nor CCSI undertakes any obligation to publicly update or revise any forward-looking statements.

CCS INCOME TRUST

General

CCS Income Trust (the "Trust") is an open-end unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to a trust indenture dated as of April 17, 2002 (the "Trust Indenture") between Computershare Trust Company of Canada and CCS Inc. ("CCSI" or the "Company"). The head and principal office of the Trust is located at 2400, 530 - 8th Avenue S.W., Calgary, Alberta T2P 3S8. The Trust was established to:

- invest in securities of CCSI from time to time, including, without limitation, the common shares ("Common Shares") and notes ("Notes") of CCSI;
- acquire or invest in other securities of CCSI or any other subsidiary of the Trust and in securities of any other entity including, without limitation, bodies corporate, partnerships or trusts, and borrowing funds for that purpose;
- dispose of any part of the monies, properties and assets of the Trust, including, without limitation, any securities of CCSI;
- temporarily hold cash and investments for the purposes of paying the expenses and the liabilities of the Trust, making other Permitted Investments, paying amounts payable by the Trust in connection with the redemption of any Trust Units, and making distributions to Unitholders; and
- pay costs, fees and expenses associated with the foregoing purposes or incidental thereto.

The Trust owns all of the issued and outstanding Common Shares and Notes of CCSI. CCSI is the corporation resulting from the amalgamation (the "Amalgamation") of Canadian Crude Separators Inc. and CCS Inc., which was effected on May 22, 2002 in connection with a plan of arrangement (the "Arrangement") involving the Trust, Canadian Crude Separators Inc. and CCS Inc. CCSI's head and principal office is located at 2400, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8. CCSI has a wholly owned subsidiary, CCS Caverns Ltd. ("CCS Caverns") incorporated under the laws of Alberta. CCS Caverns was incorporated to hold the Company's 50% interest in Hardisty Caverns Ltd.; the General Partner of Hardisty Caverns Limited Partnership. CCSI also has the following wholly-owned subsidiaries, each of which is inactive: Canadian Crude Separators (Sask) Ltd. ("CCS Sask."), incorporated under the laws of the Province of Saskatchewan; Maxen Services Inc. ("Maxen"), incorporated under the laws of Alberta; EWS Waste Services Inc. ("EWS"), incorporated under the laws of Alberta. CCSI also owns a 51% interest in QA Engineered Roads Inc. ("QA"), incorporated under the laws of Alberta. QA is also inactive and has no assets.

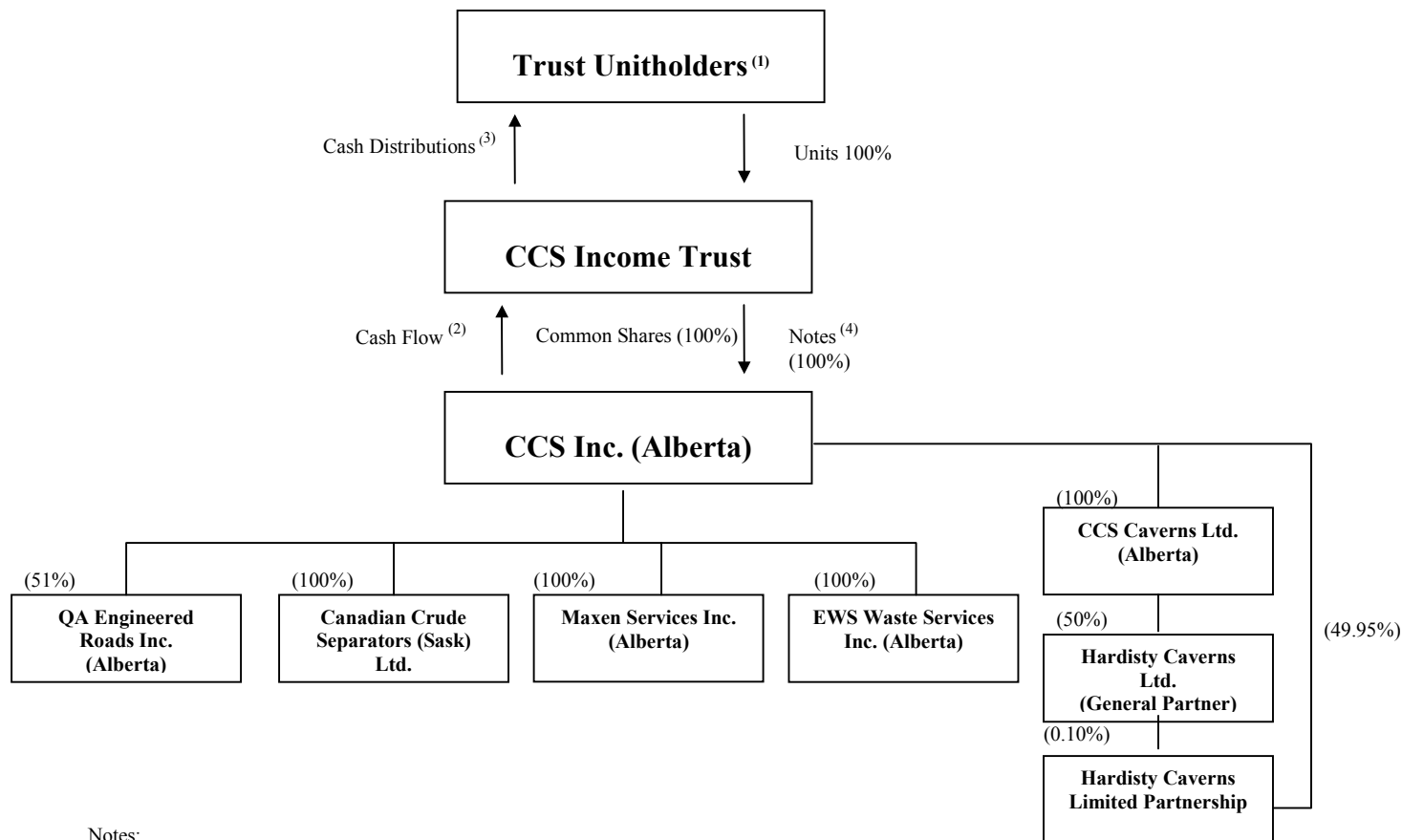
The Trust's business, through CCSI, includes all elements relating to the CCS Energy Services and Concord Well Servicing divisions of CCSI. See "Business of CCS Inc."

As a result of the Arrangement and the Amalgamation, CCSI now carries on the business of the amalgamated entity and the Trust participates in the cash flow from such business through its ownership of the Common Shares and the Notes. At the time of the Arrangement, the Trust had no material operating assets. See "The Arrangement".

The Trustee may declare payable to the Unitholders, all or any part of the net income of the Trust. See "Information Concerning The Trust – Cash Distributions".

Organizational Structure of the Trust

The following diagram sets forth the organizational structure of the Trust:



Notes:

- (1) The holders of Units own 100% of the equity of the Trust.
- (2) Cash flow represents payments made by CCSI to the Trust in respect of principal and interest payments on the Notes and dividends on the Common Shares.
- (3) Cash distributions are made to Unitholders monthly based upon the Trust's cash flow.
- (4) The Trust may invest repayments of principal on the Notes in securities of CCSI to enable CCSI to make capital expenditures.

In this document, unless the context otherwise requires, "CCS" refers to CCS Income Trust together with its subsidiaries, CCSI, CCS Caverns, CCS Sask., Maxen, EWS and QA.

Summary Description of Business

CCS Income Trust

The principal undertaking of the Trust is to indirectly acquire and hold, through its wholly owned subsidiary, CCSI, the property and assets of CCSI. The Trust's primary assets are currently the Common Shares and the Notes.

Through the Trust, Unitholders participate in distributions from CCSI to the extent authorized by the Board of Directors of CCSI. In accordance with the terms of the Trust Indenture, the Trust makes cash distributions to Unitholders on the interest income earned from the Notes and on repayments (if any) of principal on the Notes, dividends (if any) received, and amounts (if any) received on redemption of the Common Shares after expenses and capital expenditures, any cash redemptions of Units, and other expenditures. CCSI endeavours to retain a portion of its cash flow over time to fund capital expenditures and to distribute the balance to the Trust. The actual percentage retained by CCSI is subject to the discretion of the Board of Directors of CCSI and may vary from month to month depending on, among other things, actual income received by the Trust and CCSI. See "Additional Information Respecting CCSI Income Trust".

CCS Inc.

CCSI is actively involved, through its Energy Services division, in managing all by-products associated with the production of oil and gas and the provision of drilling fluid technology and related by-product management, and, through its Concord Well Servicing division, in assisting customers in management and maintenance of oilfield operations. See "Business of CCS Inc." and "Additional Information Respecting CCS Inc."

CCSI was incorporated pursuant to the *Business Corporations Act* (Alberta) on October 24, 1983 under the name Western Petro Pollution Control (1983) Ltd. CCSI subsequently changed its name to Western Crude Processors Ltd. and then to Canadian Crude Separators Inc. pursuant to articles of amendment respectively dated February 3, 1986 and September 20, 1991. On May 22, 2002 Canadian Crude Separators Inc. and CCS Inc. amalgamated to form CCS Inc. On March 31, 2003 CCSI's wholly owned subsidiary, ProDrill Oilfield Services Inc. was legally wound up into CCSI.

CCSI has a wholly owned subsidiary, Canadian Crude Separators (Sask.) Ltd., which was incorporated pursuant to *The Business Corporations Act* (Saskatchewan) to allow CCSI to acquire the land for its cavern disposal facility in the Province of Saskatchewan. No operations are presently carried out through Canadian Crude Separators (Sask.) Ltd. and no assets, other than these lands are held through or operated by the subsidiary. CCSI also has a wholly owned subsidiary, CCS Caverns Ltd., which was incorporated to hold a 50% interest in Hardisty Caverns Ltd., the General Partner of Hardisty Caverns Limited Partnership. CCSI has another wholly owned subsidiary, Maxen Services Inc. and a 51% interest in QA Engineered Roads Inc., neither, of which has operations or assets.

The Arrangement

Pursuant to the Arrangement that was approved on May 22, 2002, CCSI was converted from a corporate entity concentrating on growth through the reinvestment of cash flow to a trust entity (CCS Income Trust) that distributes a substantial portion of cash flow to trust Unitholders. As a result of the arrangement, all of the common shares of Canadian Crude Separators Inc. were exchanged for an aggregate of 11,626,997 Trust Units. In addition 1,120,994 Trust Units were issued in exchange for the intrinsic value of the outstanding options held by the optionholders of CCSI. Also as part of the arrangement, CCSI issued an aggregate of 6,377,176 Class A exchangeable shares (the "Exchangeable Shares"). Each Exchangeable Share is exchangeable into Trust Units at any time. The Exchangeable Shares are convertible to Trust Units based upon an Exchange Ratio, initially equal to one, which is cumulatively adjusted each time a distribution is made to Unitholders. The Exchange Ratio at April 30, 2003 was 1.08683.

Subsequent to the Arrangement, 347,815 Trust Units have been issued on exchange of 338,263 Exchangeable Shares. Another 470,000 Trust Units have been issued in connection with CCS' acquisition of all of the shares of ProDrill Oilfield Services Ltd. On September 6, 2002 the Trust completed the public offering of 3,395,062 Trust Units at a price of \$16.20 per Trust Unit and in December 2002, issued 20,000 Trust Units in settlement of certain obligations. As a result, as of April 30, 2003, the Trust had issued and outstanding a total of 16,980,868 Trust Units, with an additional 6,563,272 Trust Units reserved for issuance on conversion of the outstanding Exchangeable Shares.

BUSINESS OF CCS INC.

In the past, the Company has operated under two divisions – Canadian Crude Separators and Concord Well Servicing. As the operating division known as Canadian Crude Separators evolved from one emulsion treatment facility to its current network of 25 treatment, recovery and disposal locations, so too did the range of services offered. The division's growth reached a point where the original Canadian Crude Separators name was no longer reflective of the diverse number of energy services currently provided and, as a result, this operating division was renamed to CCS Energy Services. As such, the business of the Trust, through CCSI, is comprised of two divisions, Concord Well Servicing and CCS Energy Services. The Company plans to create a new division, CCS Midstream Services, as part of its overall growth strategy. In preparation for this, in April 2003, the Company employed a Vice President, Midstream to begin development of midstream oil and gas service opportunities.

General Development of the Business

The Company's Energy Services division is the ultimate resource for managing all by-products associated with the production of oil and gas. The division's operations include 25 facilities comprised of treatment, recovery and disposal facilities, cavern facilities and class II engineered landfills. Through the acquisition of ProDrill in July 2002, the division also provides drilling fluid technologies and services to the oil and gas exploration sector. The Concord Well Servicing division has been instrumental in assisting its customers in the management and maintenance of their oilfield operations, and currently has a total fleet of 39 rigs.

Over the years, CCS has introduced numerous innovative technologies including its cavern disposal options and Gravity Compression System ("GCS") to further advance the management of by-products associated with oil and gas production. Moreover, CCS has established Canada's first and only permanent facility for disposal of Naturally Occurring Radioactive Material ("NORM") associated with crude oil and natural gas production.

CCS Energy Services Division (formerly Treatment, Recovery and Disposal)

This division offers emulsion treatment, crude oil terminalling, waste processing, deep well disposal, cavern disposal, landfill disposal and tank washing at some or all of its 25 facilities.

Services Provided

CCS operates waste processing plants, which separate waste into recoverable oil, waste water and solids. Recovered oil is shipped via pipeline to market, while wastes (water and solids) are disposed of in wells, caverns and landfills. Emulsion treatment services involve the treatment of emulsion in "treaters" to obtain pipeline specification crude.

Nine of CCS' facilities are connected to oil pipelines. Clean oil produced by the emulsion treatment process is transferred into the oil pipeline for shipment to market. In addition, CCS offers terminal services that provide third parties with a pipeline inlet for their clean oil.

Tank washing services are provided at four of CCS' facilities, for which a fee is charged for the cleaning process as well as the disposal of contained waste.

Well Servicing Division

The Well Servicing division of CCS offers contract well services to a large group of oil and gas producers in central and northwestern Alberta, northeastern British Columbia and southeastern Saskatchewan. The Well Servicing division operates under the name of "Concord Well Servicing".

Services Provided

Service rigs are large truck mounted mobile units, which move from well to well to undertake repair and maintenance operations. The main function of a service rig is to facilitate the movement of equipment in and out of a well, such as tubing, packers and other production equipment. There are two main components to the services provided by the division: completions and production work. Production work includes maintenance, workovers and abandonment. The well servicing industry is subject to a certain degree of seasonality, with peaks during the winter months of December through March. Activity is generally lower during spring break-up in April and May because of unstable ground conditions caused by wet and defrosting weather. Seasonal road bans also restrict the movement of heavy equipment, such as rigs, during this period. Accordingly, the division's busiest quarters are January to March and October to December.

Significant Acquisitions and Dispositions

Since 1999, CCS has completed a number of individual asset purchases, as more particularly described below.

On October 1, 1999, CCS purchased two engineered landfills for a purchase price of \$2,700,000 consisting of \$2,458,215 in cash and the assumption of a related obligation of \$241,785. Under the terms of the agreement, CCS agreed to make an earn-out payment, equal to five per cent of revenue generated from these landfills, over the next

five years. Due to the nature of the engineered landfill facilities, a reasonable estimate of the value of the earn-out payments is not determinable at this time. As such, costs associated with these payments will be capitalized as incurred. The purchase of the two landfills was the beginning of the strategic growth plan of the engineered landfill division. The acquisition doubled the number of landfills operated by CCS from two to four and was responsible for an increase in 2000 revenue from this division of 72%. Currently, CCS operates seven engineered Class II landfills and has planned the construction of one additional location in 2003.

On August 8, 2000, CCS acquired cavern space at its Lindbergh facility in exchange for a commitment to deliver 2,353,000 gigajoules of natural gas to the vendor over a 13-year period. The actual volume of gas to be purchased on behalf of the vendor may be adjusted following further testing to determine the capacity of the space acquired. Due to the nature of energy prices, a reasonable estimate of the value of this gas is not determinable. As such, the value of \$5,377,111 assigned to the cavern space was estimated using the average cost per unit of capacity acquired by CCS at its Unity, Saskatchewan cavern (acquisition completed in 2000). This value was recorded as a purchase obligation. At December 31, 2002 the estimated, discounted future value of this obligation was increased by \$3,200,000 to reflect prevailing and estimated future gas prices, and at March 31, 2003 the estimated discounted future value of this obligation was reduced by \$707,000. The Company will evaluate and adjust the value of this obligation on a quarterly basis, as necessary, to reflect changes in estimates of future gas prices and discount rates. This obligation is also reduced monthly as the gas delivery obligation is fulfilled. In order to satisfy its gas delivery commitment, CCS has entered into a long-term agreement with a major exploration and development company to deliver the specified volume of gas at variable prices. The Lindbergh cavern commenced operations on January 1, 2001 and was immediately accepted by local producers as a preferred disposal option. In its first year of operation, the cavern outperformed CCS' other cavern operation in Unity, Saskatchewan by contributing 57% of the total cavern division revenue. Margins are strong and in 2002, exceeded the company wide operating margin of 52%.

On October 12, 2000, CCS purchased additional cavern space at its facility in Unity, Saskatchewan. Consideration provided to the vendor consisted of a royalty payment based on the volumes of waste disposed of in the additional cavern space, with a minimum annual payment of \$300,000 for six years. This future consideration was recorded as a purchase obligation. The purchase obligation is reduced as the royalty payments are made. As additional consideration, CCS also constructed a new brine well to be used and owned by the vendor. The cost to construct this well in 2000 was \$1,112,470. CCS also agreed to provide waste disposal services to the vendor for up to 50,000 tonnes of contaminated soil at a minimum rate of 14,000 tonnes per year to a maximum rate of 15,000 tonnes per year. Due to the uncertainty of the actual volumes to be received, a reasonable estimate of the cost of these services is not determinable at this time. As actual volumes are received, the related service costs are capitalized as a cost of the asset. This investment in additional cavern space was necessitated by the facility's growth since inception.

CCS entered into an agreement dated May 1, 2001, to purchase the assets used in the well servicing business of Frontier Well Servicing Co. Ltd. ("Frontier"), a contract well services company. Included in this acquisition were 19 service rigs and related equipment, Frontier's well service contracts and agreements and goodwill. Additionally, CCS entered into a lease arrangement with Frontier for utilization of Frontier's existing premises in Red Deer, Alberta. The aggregate purchase price was \$22,800,000, and was financed through a new credit facility, with the assets of CCS pledged as security and a promissory note to Frontier. The acquisition doubled the size of the Concord Well Servicing division, and resulted in the division contributing 32% of CCS' revenues in 2002. The addition of Frontier was immediately profitable at the time of acquisition and contributed 43% of the margins for the Well Servicing division for the remainder of 2001.

On June 18, 2001, CCS acquired a cavern and related facilities at Hardisty for total consideration of \$4,880,000 consisting of \$2,850,000 in cash and assumption of the vendor's site restoration obligation, estimated to be \$2,030,000. Management of CCS believes this acquisition positions CCS to take advantage of the strategic area of crude oil terminalling, storage and blending, and handling of various petroleum products, as Hardisty is a primary hub for heavy crude oil terminalling in Canada.

On June 13, 2002 Enbridge Inc. ("Enbridge") and CCS Inc. jointly announced a partnership, through a Memorandum of Understanding ("MOU"), to develop the cavern facilities to provide crude oil storage services at Hardisty, Alberta. On September 9, 2002 Enbridge and the Company finalized the limited partnership agreement and formed Hardisty Caverns Limited Partnership ("HCLP"). The General Partner of HCLP is Hardisty Caverns Ltd., which is 50% owned by CCS Caverns Ltd. CCSI, directly and through its wholly owned subsidiary CCS Caverns, owns a 50% interest in HCLP. Under the agreement, the limited partnership will initially focus on

developing four existing caverns that have the capacity to store 3 million barrels of crude oil. The caverns, which are located on property acquired by CCS in 2001 (which property will be sold to the limited partnership at cost), will be supported by surface facilities including 250,000 barrels of conventional buffer tankage and 1,500 metres of connecting pipelines. These storage facilities will be located adjacent to Enbridge's main pipeline terminal system at Hardisty, from which they will receive crude oil for storage and, when required, deliver it back to the terminal for shipment. The partnership intends to provide crude oil storage services through long-term, fee-based contracts with third parties. The partners are contributing to the partnership their areas of core expertise - Enbridge with connecting pipelines and buffer tankage, and CCS with construction and management of cavern storage facilities. Construction of this facility began during the third quarter of 2002 and completion is anticipated in the fourth quarter of 2003. In September 2002, the limited partnership announced the signing of a five-year agreement with a major international oil producer for the utilization of 100% of the first 3 million barrels of cavern storage, commencing on completion of construction of the project.

On January 21, 2002, CCS acquired the Silverberry Environmental Treatment Facility located near Fort St. John, British Columbia for cash consideration of \$4,000,000. This price included the land treatment facility, along with various pieces of mobile and rolling equipment and associated operating approval.

On July 24, 2002 CCS Inc. received approval to construct a secure engineered landfill at the CCS Silverberry site, 22 km North West of Fort St. John. This secure engineered landfill was completed and commenced operations on October 18, 2002. The engineered landfill represents the first phase of the CCS Silverberry expansion plan to provide environmentally responsible solutions to the oil and gas sector. CCS is currently constructing the second expansion phase, which includes a treatment, recovery and disposal facility at this site. Completion of the second phase is anticipated for the second quarter of 2003.

On July 2, 2002 CCS purchased all of the outstanding shares of ProDrill Oilfield Services Ltd. ("ProDrill"), for total consideration of \$2,000,000 cash and 470,000 Trust Units. On closing, 100,000 Trust Units were released, with the balance held in escrow, to be released over the next five years according to a predetermined time-based schedule.

ProDrill is a progressive drilling fluids service company that has been in operation since 1996. The three previous owners of ProDrill, along with existing key employees, will continue to manage the day-to-day operations of the business. ProDrill offers value added services beyond drilling fluids such as inhibitive mud systems designed for environmental compliance, drilling waste management/monitoring programs, tanks for sumless drilling, area analytical studies and new product development. In management's view, the acquisition of ProDrill by CCS will enhance ProDrill's ability to offer environmentally acceptable solutions for drilling mud and cuttings that require off-site solutions. By providing cost effective off-site drilling waste options for oil and gas producers in Western Canada, the ProDrill division will be highly complementary to the existing CCS Energy Services division. On March 31, 2003, ProDrill was wound up into CCS Inc.

Trends

Management is of the view that CCS' exposure to energy price fluctuations is less than many oilfield service companies because our Energy Services division is more dependent on oil production than on exploration or drilling operations. Also, in the Concord Well Servicing division, the service rigs can be easily switched from natural gas to light crude activity as commodity prices fluctuate.

The Company is exposed to movements in interest rates and therefore utilizes derivative instruments to manage this exposure. During 2002, the Company swapped \$18 million of floating rate debt into a fixed rate, and has entered into agreements to swap an additional \$15 million of floating rate debt to fixed by May 29, 2003. At March 31, 2003, approximately 60% of the Company's total debt portfolio was subject to movements in interest rates. The CCS Inc. notes held by the Trust bear interest at a rate of 13% per annum.

CCS had a strong year in 2002 and expects to build on that performance in 2003. Management has identified a number of expansion opportunities and, in December 2002, announced a \$90 million capital program for 2003. Management continues to implement a growth strategy as they explore more opportunities including possibilities of geographic expansion and the addition of new services.

General

CCS has two primary divisions, CCS Energy Services and Concord Well Servicing ("CWS"). Total revenue in 2002 was \$118.1M of which CCS Energy Services contributed 68% (\$79.9M) and CWS contributed 32% (\$38.2M). In 2001, CCS Energy Services contributed 65% (\$72.4M) and CWS 35% (\$38.5M) of total revenues of \$111.0M. All sales for the divisions and company are to external third party customers.

Energy Services Division

This division offers emulsion treatment, crude oil terminalling, waste processing, deep well disposal, cavern disposal, engineered landfill disposal and tank washing services at some or all of its 25 facilities. The location of the facilities and the services offered at each are indicated in the table below. The Energy Services division operates under the name CCS Energy Services.

Facility	Legal Description	Services Provided ⁽¹⁾
La Glace, Alberta	12-08-73-08 W6M	ET, DW, WP, TW, CT
La Glace, Alberta	NE 15-73-09 W6M	LF
Judy Creek, Alberta	04-05-63-11 W5M	ET, DW, WP, CT
Valleyview, Alberta	09-16-69-22 W5M	ET, DW, WP, TW, CT
Coronation, Alberta	12-30-34-09 W4M	ET, DW, WP, CT
Big Valley, Alberta	10-36-35-20 W4M	ET, DW, WP, CT
High Prairie, Alberta	01-14-73-17 W5M	ET, DW, CT
Fox Creek, Alberta	03-29-62-20 W5M	ET, DW, WP, CT
Fox Creek, Alberta	SE ¼ 06-62-18 W5M	LF
Slave Lake, Alberta	04-29-72-04 W5M	ET, DW, WP, CT
Gull Lake, Saskatchewan	13-25-13-19 W3M	LF
Gull Lake, Saskatchewan	13-25-13-19 W3M	DW, WP
Kindersley, Saskatchewan	16-16-30-23 W3M	WP, DW
Unity, Saskatchewan	15-04-40-22 W3M	CD, DW
Slave Lake, Alberta	04-29-72-04 W5M	LF
Edson, Alberta	05-24-51-15 W5M	ET, DW, WP
Brazeau, Alberta	11-03-47-11 W5M	ET, DW, WP, TW, CT
Rocky Mountain House, Alberta	01-12-40-09 W5M	LF
Marshall, Saskatchewan	SE 21-48-26 W3M	LF
Wolf Lake, Alberta	09-01-48-14 W5M	DW
Lindbergh, Alberta	05-26-56-05 W4M	CD, DW
Rainbow Lake, Alberta	16-32-110-05 W6M	DW
Hardisty, Alberta	NE ¼ 30-42-09 W4M	CT
Fort St. John, British Columbia	A18-88-20 W6M	LF

Note:

- (1) "ET" means Emulsion Treatment; "DW" means Deep Well Disposal; "LF" means Engineered Landfill Disposal; "CD" means Cavern Disposal; "WP" means Waste Processing; "TW" means Tank Washing; and "CT" means Crude Oil Terminalling.

Services Provided

CCS operates waste processing plants, which separate waste into recoverable oil, waste water and solids. Recovered oil is shipped via pipeline to market, while wastes (water and solids) are disposed of in wells, caverns and engineered landfills. Emulsion treatment services involve the treatment of emulsion in "treaters" to obtain pipeline specification crude. Under the tradename "ProDrill", the division also provides drilling fluid technology services to the oil and gas drilling industry.

Nine of CCS' facilities are connected to oil pipelines. Clean oil produced by the emulsion treatment process is transferred into the pipeline for shipment to market. In addition, CCS offers terminal services that provide third parties a pipeline inlet for their clean oil.

Tank washing services are provided at four of CCS' facilities, for which a fee is charged for the cleaning process, as well as the disposal of contained waste.

Market for Services

During the year 2002, the customer base for the Energy Services division grew to more than 1,000 customers, encompassing junior, intermediate, and senior oil and gas producers, as well as a diverse group of energy service suppliers. The top 20 customers for CCS generated approximately 60% of the division's revenue with no single customer accounting for more than approximately 8% of annual revenue. Customers do not enter into binding agreements with fixed prices and volumes, but negotiate vigorously with CCS at the time of required service or sale.

Pricing of services is based on the processing effort required, which is dependent on the physical and chemical make-up of the product stream as well as internal and external treatment, recovery and disposal alternatives, transportation costs, and safety/environmental compliance concerns.

The customer base for ProDrill is comprised of a diverse group of more than 50 oil and gas producers and explorers. ProDrill's top 10 customers generated approximately 81% of their revenue with the largest single customer accounting for approximately 28% of annual revenue.

Regulatory Environment

The production of oil and gas is regulated with very well defined reporting requirements for volumes produced from each well and the tracking of those volumes through to the final sales point. These reporting requirements are established by provincial regulators in order to control royalty payments and also by producers to ensure proper allocations of revenue in joint venture operations and to track volumes when third parties co-mingle product from different producers.

Provincial environmental regulations strongly influence CCS' facilities in the design and construction phase, during their operation and in the decommissioning work at the end of their useful life.

To construct a facility, CCS requires approval from the British Columbia Oil and Gas Commission ("BCOGC") or the British Columbia Ministry of Water Land and Air Protection ("MWLAP"), the Alberta Energy and Utilities Board (the "AEUB") or Alberta Environment ("AENV") in Alberta or in Saskatchewan, Saskatchewan Energy and Mines ("SEM") or Saskatchewan Environment and Resource Management ("SERM"). Each of these agencies reviews the design of the facility to ensure compliance with environmental regulations and that the facility will not have adverse impacts on the surrounding community. The approval process generally takes from 3 to 6 months, but may take significantly longer, and involves a cost of approximately \$200,000. As such, regulatory barriers to entry are low and expose CCS to potential additional competition from new entrants.

The safety, environment and operating procedures at the division's facilities are regulated and monitored by the Workers' Compensation Boards of British Columbia, Alberta and Saskatchewan.

Environment, Health and Safety Practices

The Energy Services division employs personnel responsible for reviewing and monitoring the environment along with health and safety practices at each CCS facility on a regular basis. Environmental reviews are performed once a year at each site and action plans are put in place to rectify any situations that could lead to non-compliance issues.

Safety meetings are held monthly at each facility to review operating procedures and identify opportunities for improvement. All operating procedures are documented in health and safety manuals that are customized to the equipment and process configuration at each facility. Operators are required to attend a number of training courses dealing with first aid and CPR, confined space entry, hydrogen sulfide ("H₂S") procedures, and the handling of dangerous and hazardous goods. The division's health and safety program at individual plants is audited on a regular, rotating basis by an independent third party to measure compliance with accepted industry standards.

Either the BCOGC, MWLAP, AENV, AEUB, SEM or SERM licenses the division's facilities. The operating licenses specify the types of wastes that can be accepted at each facility. All of the division's facilities are restricted to receiving only upstream petroleum industry wastes.

In addition, facilities are often subject to audit by customers to ensure the product streams being brought to CCS for processing are handled in a safe and environmentally responsible manner.

Management and Employees

Each facility is set up as a profit centre with the resident plant manager having overall responsibility for the operation and administration of the assets. Area marketing representatives assist plant managers with their marketing efforts and maintain close contact with customer personnel and their activities. ProDrill services are offered through a profit centre with management and marketing functions for those services centralized in Calgary, Alberta. Employees also play an active role in the communities in CCS' operating areas. The division employs 205 people on a full time basis.

Well Servicing Division

The Well Servicing division of CCS offers contract well services to a large group of oil and gas producers in central and northwestern Alberta, northeastern British Columbia and southeastern Saskatchewan. The Well Servicing division operates under the name of "Concord Well Servicing".

Services Provided

Service rigs are large truck mounted mobile units, which move from well to well to undertake repair and maintenance operations. The main function of a service rig is to facilitate the movement of equipment in and out of a well, such as tubing, packers and other production equipment. There are two main components to the services provided by the division: completions and production work. Production work includes maintenance, workovers and abandonment. The well servicing industry is subject to a certain degree of seasonality, with peaks during the winter months of December through March. Activity is generally lower during spring break-up in April and May because of unstable ground conditions caused by wet and defrosting weather. Seasonal road bans also restrict the movement of heavy equipment, such as rigs, during this period. Accordingly, the busiest quarters of the division's business are January to March and October to December.

Well completions take place after a drilling rig has completed its job. Following completion of drilling, service rigs are used to place the well onto production. This involves lowering tubing into the hole and placing packers and other down-hole equipment. Service rigs are light, quick, and mobile and are one of the most efficient methods of completing and placing wells onto production. Approximately 60% of the division's revenue is derived from completions.

Production work is also required on wells over the course of their producing lives. Service rigs are used to perform routine maintenance operations when production equipment malfunctions or wears out. Other maintenance services provided include replacement of bottom hole pumps, broken sucker rods and corroded production tubing. Maintenance jobs are generally shorter in duration but more numerous than completions. Demand for service rigs is fairly constant, as oil companies need to keep their wells producing efficiently.

In addition to conventional maintenance of production equipment, wells often require cleaning operations to enhance productivity; commonly known as workovers. Service rigs utilize pipe and large pumps to circulate fluids in the well bore in order to remove sand and debris. Recent developments in horizontal drilling have increased demand for larger workover rigs to complete horizontal laterals in existing well bores.

The final aspect of service rig work relates to the abandonment of wells that are depleted or have become uneconomical to continue operating. Abandoning a well involves removing down-hole production equipment, such as packers, tubing and pumps and sealing the reservoir with a permanent down-hole plug. Performing a pressure test ensures the integrity of the down-hole plug and a cement plug is installed on the well bore near the surface. Finally, the well head and other surface production equipment is removed.

Management estimates that production work accounts for approximately 40% of the division's revenue.

Equipment

The Well Servicing division operates 39 service rigs, the specifications of which are outlined in the following table:

Rig Number ⁽¹⁾	Maximum Operating Depth (meters)
6 ⁽²⁾	5,500
1,2,3,5,8,9,11,12,14, 15, 17, 20, 18,30,42	4,200
25, 27, 29, 36, 38, 39, 40, 24	4,000
7, 10, 21,31,35	3,000
16	2,700
4, 22, 23,28,32,34,37,41	2,400
19	1,800

Notes:

- (1) Most of the above are double rigs with the capability to lift two pipe strings at once. Rigs 4, 16, 19, 22, 23, 28, 32, 34, 37 and 41 are single rigs.
- (2) Rig 6 is a trailer-mounted unit whereas the remainder of the fleet are chassis mounted units.

Market for Services

The customer base for this division encompasses approximately 60 oil and gas exploration and production companies. In 2002, approximately 50% of the revenue from the Well Servicing division was derived from its top five customers. Customer relationships are based on service agreements, which outline rights and responsibilities of both parties and which set the price for services for a certain length of time. The agreements do not govern rig utilization and most agreements can be changed with 30 days written notice by either party.

The demand for service rigs is determined by two somewhat different fundamentals. The first is the number of active producing oil and gas wells in an area. The larger the number of active wells, the more work required to maintain production levels. The second factor is the level of completion work, which is determined by the number of new wells being drilled. The number of producing wells in western Canada is gradually increasing and fluctuates less than the number of new wells drilled. Therefore, in management's opinion, demand for service rigs is somewhat less volatile than demand for other oilfield services, such as drilling rigs.

The service rig industry is competitive with over 40% of the 928 Canadian service rig fleet being owned by firms with less than 40 rigs. The largest service rig company owns approximately 27% of the total Canadian service rig fleet. Oil and gas companies tend to select between rig contractors based on price, experience and knowledge of personnel, condition and capability of equipment and health and safety records. The hourly rates charged for service rigs is dependent on the supply and demand for such services.

Health, Safety and Environmental Practices

The Well Servicing division maintains a health and safety and environmental program, the foundation of which is training given to personnel at all levels of the organization. The training covers equipment operation and preventative maintenance, H2S procedures, handling of dangerous and hazardous goods and first aid. Identification of individual responsibilities is also an important element of the program to ensure no element of safe rig operation is overlooked.

The program is continually monitored by internal personnel and reviewed by an external auditor every three years to measure the level of adherence to accepted industry standards. The internal and external reviews assist in maintaining a strong standing with regulatory bodies such as Workers' Compensation Boards and Occupational Health and Safety agencies.

The division is subject to environmental regulations dealing with the care and control of fluids, such as fuels and lubricants and air emissions. Adherence to operating procedures designed to ensure compliance with the regulations is continuously monitored by division personnel.

Management and Employees

Similar to CCS Energy Services operations of treatment, recovery and disposal facilities, each rig is set up as a profit centre, with the rig manager responsible for the operation and administration of the asset. Area marketing representatives assist rig managers with their marketing efforts and maintain close contact with customer personnel and their activities. The Well Servicing division has a multi-purpose facility located in the Acheson Industrial Park near Edmonton, Alberta. Service centres support the fleet from Grande Prairie, Whitecourt, Blackfalds and Valleyview. These facilities are capable of rebuilding, remanufacturing and fabricating well service equipment. The head office of the division is in Valleyview, Alberta. The division employs 250 people on a full time basis.

Capital Expenditures

The following table summarizes CCS' comparative capital expenditures for the periods indicated:

(\$000s)	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Processing facilities	\$40,561	\$28,464	\$35,229
Service rigs	3,889	25,434	2,723
Mobile equipment	2,665	374	148
Buildings	1,985	2,337	2,244
Furniture and equipment	1,285	789	405
Land	1,927	-	-
Total	\$52,312	\$57,398	\$40,749

Industry Conditions

Specific Industry Conditions

Storage and transportation of oilfield waste is subject to control and regulation by various levels of government. Outlined below are some of the more significant aspects of the legislation, regulations and agreements governing the storage and transportation of oilfield waste. In almost all cases, a breach of these rules by CCS could result, at a minimum, in a judicial or administrative requirement for CCS to take remedial action. All current legislation is a matter of public record and CCS is unable to predict what additional legislation or amendments may be enacted.

Provincial Requirements

The *Alberta Environmental Protection and Enhancement Act* imposes restrictions on the manner in which certain oilfield waste is stored and transported. If certain hazardous substances are released into the environment, the legislation imposes a strict obligation to report any such occurrences and to take all reasonable remedial measures. If an offence is committed under this legislation, the penalty can range from significant fines (in addition to clean up costs) to the issuance of an environmental protection order.

Other agencies such as the Energy Resources Conservation Board and Alberta Environmental Protection have enacted legislation that establishes minimum standards and provides policies and procedures regarding emergency response and inspections within the oil and gas sector. The trend of the legislation is towards increased disclosure and reporting requirements.

Federal Legislation

The *Transportation of Dangerous Goods Act, 1992* (the "TDGA") outlines several restrictions that require compliance. When oilfield wastes are transported, they must display appropriate labels, safety marks and must be accompanied by appropriate documents. Before transporting any oilfield wastes, the transporter must have a written emergency response assistance plan. Companies involved in the oilfield waste business are subject to inspection to

ensure compliance with the foregoing laws. Furthermore, the TDGA imposes an obligation to report any accident involving oilfield waste and to take appropriate emergency measures. Breach of this Act is punishable by fine in addition to taking remedial action and to repair any damage caused to the environment.

Environmental Regulations

The oil and gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, the legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with the legislation may require significant expenditures and a breach of the requirements may result in the imposition of material fines and penalties.

General Oil and Gas Industry Conditions

The success of CCS' business is tied, in large part, to the general health of the oil and natural gas industry in western Canada. Accordingly, in addition to the various federal, provincial and municipal regulations governing CCS' ongoing operations, it is also sensitive to the prevailing conditions within the oil and natural gas industry. These include land tenure, exploration, development, production, refining, transportation and marketing imposed by legislation enacted by various levels of government and, with respect to pricing and taxation of oil and natural gas, by agreements among the governments of Canada, Alberta, Saskatchewan and British Columbia.

Kyoto Accord

In December 2002, the Parliament of Canada voted to ratify the United Nations Kyoto Treaty on Climate Change and the Government of Canada stated its intention to implement broad economic and regulatory measures to bring about compliance with Canada's commitment to reduce emissions of so-called greenhouse gases. This has introduced a measure of uncertainty for oil and gas operators, and there have been no final proposals yet confirmed for what legal and regulatory measures would be imposed. We expect the impact on environmental costs to remain high as a result of the ratification of this agreement, however the overall cost impact on our capital projects and ongoing operations has yet to be determined.

ADDITIONAL INFORMATION RESPECTING CCS INCOME TRUST

Trust Units

An unlimited number of Trust Units may be created and issued pursuant to the Trust Indenture. Each Trust Unit represents an equal fractional undivided beneficial interest in any distribution from the Trust (whether of net income, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up of the Trust. All Trust Units outstanding from time to time shall be entitled to equal shares of any distributions by the Trust, and in the event of termination or winding-up of the Trust, in any net assets of the Trust. All Trust Units of the Trust shall rank among themselves equally and rateably without discrimination, preference or priority. Each Trust Unit is transferable, is not subject to any conversion or pre-emptive rights and entitles the holder thereof to require the Trust to redeem any or all of the Trust Units held by such holder (see "Redemption Right") and to one vote at all meetings of Trust Unitholders for each Trust Unit held.

The Trust Units do not represent a traditional investment and should not be viewed by investors as "shares" in either CCSI or the Trust. As holders of Trust Units in the Trust, the Trust Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The price per Trust Unit is a function of anticipated distributable income from CCSI and the ability of CCS to affect long-term growth in the value of the Trust. The market price of the Trust Units will be sensitive to a variety of market conditions including, but not limited to, interest rates, commodity prices and the ability of the Trust to acquire additional assets. Changes in market conditions may adversely affect the trading price of the Trust Units.

As of April 30, 2003, the Trust had issued and outstanding a total of 16,980,868 Trust Units, with an additional 6,563,272 Trust Units reserved for issuance on conversion of the outstanding Exchangeable Shares.

Special Voting Rights

In order to allow the Trust flexibility in pursuing corporate acquisitions, the Trust Indenture allows for the creation of Special Voting Rights which will enable the Trust to provide voting rights to holders of Exchangeable Shares and, in the future, to holders of other exchangeable shares that may be issued by CCSI or other subsidiaries of the Trust in connection with other exchangeable share transactions.

An unlimited number of Special Voting Rights may be created and issued pursuant to the Trust Indenture. Holders of Special Voting Rights shall not be entitled to any distributions of any nature whatsoever from the Trust and shall be entitled to such number of votes at meetings of Trust Unitholders as may be prescribed by the board of directors of CCSI in the resolution authorizing the issuance of any Special Voting Rights. Except for the right to vote at meetings of the Trust Unitholders, the Special Voting Rights shall not confer upon the holders thereof any other rights.

Under the terms of the Voting and Exchange Trust Agreement, the Trust has issued a Special Voting Right to the Voting and Exchange Agreement Trustee for the benefit of every person who received Exchangeable Shares pursuant to the Arrangement.

Trust Unitholder Limited Liability

The Trust Indenture provides that no Trust Unitholder, in its capacity as such, shall incur or will be subject to any liability in contract or in tort in connection with the Trust or its obligations and affairs and, in the event that a court determines Trust Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of the Trust Unitholder's share of the Trust's assets. Pursuant to the Trust Indenture, the Trust will indemnify and hold harmless each Trust Unitholder from any cost, damages, liabilities, expenses, charges and losses suffered by a Trust Unitholder from or arising as a result of such Trust Unitholder not having such limited liability.

The Trust Indenture provides that all contracts signed by or on behalf of the Trust must contain a provision to the effect that such obligation will not be binding upon Trust Unitholders personally. Notwithstanding the terms of the Trust Indenture, Trust Unitholders may not be protected from liabilities of the Trust to the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Trust (to the extent that claims are not satisfied by the Trust) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability to Trust Unitholders of this nature arising is considered unlikely in view of the fact that the sole business activity of the Trust is to hold securities, and all of the business operations currently carried on by CCS will be carried on by CCSI directly or indirectly.

The business of the Trust and its wholly-owned subsidiary, CCSI, will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid, as far as possible, any material risk of liability to the Trust Unitholders for claims against the Trust by obtaining appropriate insurance, where available, for the operations of CCSI and having contracts signed by or on behalf of the Trust include a provision that such obligations are not binding upon Trust Unitholders personally.

Issuance of Trust Units

The Trust Indenture provides that Trust Units, including rights, warrants and other securities to purchase, to convert into or to exchange into Trust Units, may be created, issued, sold and delivered on such terms and conditions and at such times as the board of directors of CCSI may determine.

Cash Distributions

The Trustee may declare payable to the Unitholders all or any part of the net income of the Trust earned from interest income on the Notes or any other interest income, dividends on the common shares of CCSI or any other dividends, less all expenses and liabilities of the Trust due and accrued and which are chargeable to the net income of the Trust. In addition, Trust Unitholders may, at the discretion of the Trustee, receive distributions in respect of repayments of principal by CCSI to the Trust on the Notes. It is anticipated however, that the Trust will reinvest a

substantial portion of the repayments of principal on the Notes to make capital expenditures to develop the business of CCSI with a view to enhancing CCSI's cash flow from operations.

Since its inception, the Trust has made the following cash distributions to holders of Trust Units:

Period covered	Date of record	Date of Distribution	Per unit \$
May 23, 2002 to June 30, 2002	06/30/02	07/15/02	0.18
July 1, 2002 to July 31, 2002	07/31/02	08/15/02	0.14
August 1, 2002 to August 31, 2002	08/31/02	09/16/02	0.14
September 1, 2002 to September 30, 2002	09/30/02	10/15/02	0.14
October 1, 2002 to October 31, 2002	10/31/02	11/15/02	0.14
November 1, 2002 to November 30, 2002	11/30/02	12/16/02	0.14
December 1, 2002 to December 31, 2002	12/31/02	01/15/03	0.14
January 1, 2003 to January 31, 2003	1/31/03	2/18/03	0.14
February 1, 2003 to February 28, 2003	2/28/03	3/17/03	0.14
March 1, 2003 to March 31, 2003	3/31/03	4/15/03	0.14
April 1, 2003 to April 30, 2003	04/30/03	05/15/03	0.14

It is expected that cash distributions will continue to be made on the 15th day of each month to Trust Unitholders of record on the immediately preceding distribution record date.

Redemption Right

Trust Units are redeemable at any time on demand by the holders thereof upon delivery to the Trust of the certificate or certificates representing such Trust Units, accompanied by a duly completed and properly executed notice requiring redemption. Upon receipt of the notice to redeem Trust Units by the Trust, the holder thereof shall only be entitled to receive a price per Trust Unit (the "Market Redemption Price") equal to the lesser of: (i) 90% of the "market price" of the Trust Units on the principal market on which the Trust Units are quoted for trading during the 10 trading day period commencing immediately after the date on which the Trust Units are tendered to the Trust for redemption; and (ii) the "closing market price" on the principal market on which the Trust Units are quoted for trading on the date that the Trust Units are so tendered for redemption.

For the purposes of this calculation, "market price" will be an amount equal to the simple average of the closing price of the Trust Units for each of the trading days on which there was a closing price; provided that, if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Trust Units traded on a particular day, the market price shall be an amount equal to the simple average of the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the market price shall be the simple average of the following prices established for each of the 10 trading days: the average of the last bid and last ask prices for each day on which there was no trading; the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the Trust Units for each day that there was trading, if the market provides only the highest and lowest prices of Trust Units traded on a particular day. The "closing market price" shall be: an amount equal to the closing price of the Trust Units if there was a trade on the date; an amount equal to the average of the highest and lowest prices of the Trust Units if there was trading and the exchange or other market provides only the highest and lowest prices of Trust Units traded on a particular day, and the average of the last bid and last ask prices if there was no trading on the date.

The aggregate Market Redemption Price payable by the Trust in respect of any Trust Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the following month. The entitlement of Trust Unitholders to receive cash upon the redemption of their Trust Units is subject to the limitation that the total amount payable by the Trust in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month and in any preceding calendar month during the same year shall not exceed \$250,000; provided that, CCSI may, in its sole discretion, waive such limitation in respect of any

calendar month. If this limitation is not so waived, the Market Redemption Price payable by the Trust in respect of Trust Units tendered for redemption in such calendar month shall be paid on the last day of the following month by: (i) the Trust distributing Notes having an aggregate principal amount equal to the aggregate Market Redemption Price of the Trust Units tendered for redemption; or (ii) if so directed by Amalgamation Co. or, if the Trust does not hold Notes having a sufficient principal amount outstanding to effect such payment, by the Trust issuing its own promissory notes having an aggregate principal amount equal to the aggregate Market Redemption Price of the Trust Units tendered for redemption, which promissory notes ("Redemption Notes") shall have terms and conditions substantially identical to those of the Notes.

If at the time Trust Units are tendered for redemption by a Trust Unitholder, the outstanding Trust Units are not listed for trading on the TSE and are not traded or quoted on any other stock exchange or market which CCSI considers, in its sole discretion, provides representative fair market value price for the Trust Units or trading of the outstanding Trust Units is suspended or halted on any stock exchange on which the Trust Units are listed for trading or, if not so listed, on any market on which the Trust Units are quoted for trading, on the date such Trust Units are tendered for redemption or for more than five trading days during the 10 trading day period, commencing immediately after the date such Trust Units were tendered for redemption then such Trust Unitholder shall, instead of the Market Redemption Price, be entitled to receive a price per Trust Unit (the "Appraised Redemption Price") equal to 90% of the fair market value thereof as determined by CCSI as at the date on which such Trust Units were tendered for redemption. The aggregate Appraised Redemption Price payable by the Trust in respect of Trust Units tendered for redemption in any calendar month shall be paid on the last day of the third following month by, at the option of the Trust: (i) a cash payment; or (ii) a distribution of Notes or Redemption Notes as described above.

It is anticipated that this redemption right will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units. Notes or Redemption Notes, which may be distributed in specie to Trust Unitholders in connection with a redemption, will not be listed on any stock exchange and no market is expected to develop in such Notes or Redemption Notes. Notes or Redemption Notes will not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans.

Non-Resident Trust Unitholders

Certain provisions of the Tax Act require that the Trust not be established nor maintained primarily for the benefit of Non-Residents. Accordingly, in order to comply with such provisions, the Trust Indenture contains restrictions on the ownership of Trust Units by Trust Unitholders who are Non-Residents. Trust Unitholders may be required to provide to the Trustee a declaration (a "Residence Declaration") specifying whether or not they are Non-Residents and if the Trustee becomes aware, as a result of requiring Residence Declarations or otherwise, that the beneficial owners of 40% of the Trust Units then outstanding are or may be Non-Residents or such a situation is imminent, the Trustee shall thereafter request Residence Declarations at least annually in conjunction with the annual meetings of Trust Unitholders. If at any time the Trustee becomes aware, as a result of requiring Residence Declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Trust Units then outstanding are or may be Non-Residents or that such a situation is imminent, the Trustee may make a public announcement thereof and shall not accept a subscription for Trust Units from or issue or register a transfer of Trust Units to a person unless the person provides a Residence Declaration that the person is not a Non-Resident. If notwithstanding the foregoing, the Trustee determines that a majority of the Trust Units are held by Non-Residents, the Trustee may send a notice to Non-Resident holders of Trust Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustee may consider equitable and practicable, requiring them to sell their Trust Units or a specified portion thereof within a specified period of not less than 60 days. If the Trust Unitholders receiving such notice have not sold the specified number of Trust Units or provided the Trustee with satisfactory evidence that they are not Non-Residents within such period, the Trustee may on behalf of such Trust Unitholder sell such Trust Units and, in the interim, shall suspend the voting and distribution rights attached to such Trust Units and shall make any distribution in respect of such Trust Units by depositing such amount in a separate bank account in a Canadian chartered bank (net of any applicable taxes). Any sale shall be made on any stock exchange on which the Trust Units are then listed and, upon such sale, the affected holders shall cease to be holders of Trust Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the Trust certificates representing such Trust Units.

Meetings of Trust Unitholders

The Trust Indenture provides that meetings of Trust Unitholders must be called and held for, among other matters, the election or removal of the Trustee, the appointment or removal of the auditors of the Trust, the approval of amendments to the Trust Indenture (except as described under "Amendments to the Trust Indenture"), the sale of the property of the Trust as an entirety or substantially as an entirety, and the commencement of winding-up the affairs of the Trust. Meetings of Trust Unitholders will be called and held annually for, among other things, the election of the directors of CCSI and the appointment of the auditors of the Trust.

A meeting of Trust Unitholders may be convened at any time and for any purpose by the Trustee and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Trust Units then outstanding by a written requisition. A requisition must, among other things, state in reasonable detail the business purpose for which the meeting is to be called.

Trust Unitholders may attend and vote at all meetings of Trust Unitholders either in person or by proxy and a proxyholder need not be a Trust Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 5% of the votes attaching to all outstanding Trust Units shall constitute a quorum for the transaction of business at all such meetings. For the purposes of determining such quorum, the holders of any issued Special Voting Rights who are present at the meeting shall be regarded as representing outstanding Trust Units equivalent in number to the votes attaching to such Special Voting Rights.

The Trust Indenture contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Trust Unitholders in accordance with the requirements of applicable laws.

Exercise of Voting Rights Attached to Shares of CCSI

The Trust Indenture prohibits the Trustee from voting the shares of CCSI with respect to the election of directors of CCSI, the appointment of auditors of CCSI or the approval of CCSI's financial statements except in accordance with an Ordinary Resolution adopted at an annual meeting of Unitholders. The Trustee is also prohibited from voting the shares to authorize:

- (a) any sale, lease or other disposition of, or any interest in, all or substantially all of the assets of CCSI, except in conjunction with an internal reorganization of the direct or indirect assets of CCSI as a result of which either CCSI or the Trust has the same interest, whether direct or indirect, in the assets as the interest, whether direct or indirect, that it had prior to the reorganization;
- (b) any statutory amalgamation of CCSI with any other corporation, except in conjunction with an internal reorganization as referred to in paragraph (a) above;
- (c) any statutory arrangement involving CCSI except in conjunction with an internal reorganization as referred to in paragraph (a) above;
- (d) any amendment to the articles of CCSI to increase or decrease the minimum or maximum number of directors; or
- (e) any material amendment to the articles of CCSI to change the authorized share capital or amend the rights, privileges, restrictions and conditions attaching to any class of CCSI's shares in a manner which may be prejudicial to the Trust;

without the approval of the Unitholders by Special Resolution at a meeting of Unitholders called for that purpose.

The Trust Trustee

Computershare Trust Company of Canada is the initial trustee of the Trust. The Trustee is responsible for, among other things accepting subscriptions for Trust Units and issuing Trust Units pursuant thereto and maintaining the books and records of the Trust and providing timely reports to holders of Trust Units. The Trust Indenture provides that the Trustee shall exercise its powers and carry out its functions thereunder as Trustee honestly, in good faith and

in the best interests of the Trust and the Trust Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

The initial term of the Trustee's appointment is until the first annual meeting of Trust Unitholders. Thereafter, the Trustee shall be reappointed or changed every year as may be determined by a majority of the votes cast at a meeting of the Trust Unitholders. The Trustee may resign upon 60 days' notice to the Trust. The Trustee may also be removed by Special Resolution of the Trust Unitholders. Such resignation or removal becomes effective upon the acceptance or appointment of a successor trustee.

Delegation of Authority, Administration and Trust Governance

The board of directors of CCSI has generally been delegated the significant management decisions of the Trust. In particular, the Trustee has delegated to CCSI responsibility for any and all matters relating to: (a) the redemption of Trust Units; (b) the acquisition of Subsequent Investments by the Trust and the negotiation of management agreements respecting Subsequent Investments; and (c) any offering of securities of the Trust including: (i) the listing and maintaining of the listing on The Toronto Stock Exchange of the Trust Units; (ii) the filing of documents or obtaining of permission from any governmental or regulatory authority or the taking of any other step under federal or provincial law to enable securities which a Trust Unitholder is entitled to receive to be properly and legally delivered and thereafter traded; (iii) ensuring compliance with all applicable laws; (iv) all matters relating to the content of any offering documents pursuant to which securities of the Trust are issued, the accuracy of the disclosure contained therein and the certification thereof; (v) all matters concerning the terms of the sale or issuance of Trust Units or rights to Trust Units including without limitation all matters concerning any adoption of any Unitholders rights plan; (d) the determination of any Distribution Record Date other than the last date of each calendar year; (e) the determination of any borrowing, issuing any guarantee, and granting any security and subordination under the Trust Indenture; and (f) the determination of the manner in which the Trust shall exercise voting rights in respect of any securities owned by the Trust to the extent that the restrictions referred to above under the heading "Exercise of Voting Rights Attached to Shares of CCSI" are inapplicable.

Liability of the Trustee

The Trustee, its directors, officers, employees, shareholders and agents shall not be liable to any Trust Unitholder or any other person, in tort, contract or otherwise, in connection with any matter pertaining to the Trust or the property of the Trust, arising from the exercise by the Trustee of any powers, authorities or discretion conferred under the Trust Indenture, including, without limitation, any action taken or not taken in good faith in reliance on any documents that are, prima facie, properly executed, any depreciation of, or loss to, the property of the Trust incurred by reason of the sale of any asset, any inaccuracy in any evaluation provided any appropriately qualified person, any reliance on any such evaluation, any action or failure to act of CCSI, or any other person to whom the Trustee has, with the consent of CCSI, delegated any of its duties hereunder, or any other action or failure to act (including failure to compel in any way any former trustee to redress any breach of trust or any failure by CCSI to perform its duties under or delegated to it under the Trust Indenture), unless such liabilities arise out of the gross negligence, wilful default or fraud of the Trustee or any of its directors, officers, employees, shareholders or agents. If the Trustee has retained an appropriate expert, adviser or legal counsel with respect to any matter connected with its duties under the Trust Indenture, the Trustee may act or refuse to act based on the advice of such expert, adviser or legal counsel, and the Trustee shall not be liable for and shall be fully protected from any loss or liability occasioned by any action or refusal to act based on the advice of any such expert, adviser or legal counsel. In the exercise of the powers, authorities or discretion conferred upon the Trustee under the Trust Indenture, the Trustee is and shall be conclusively deemed to be acting as Trustee of the assets of the Trust and shall not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Trust or the property of the Trust. In addition, the Trust Indenture contains other customary provisions limiting the liability of the Trustee.

Amendments to the Trust Indenture

The Trust Indenture may be amended or altered from time to time by Special Resolution.

The Trustee may, without the approval of the Trust Unitholders, make certain amendments to the Trust Indenture, including amendments for the purpose of:

- ensuring the Trust's continuing compliance with applicable laws or requirements of any governmental agency or authority of Canada or of any province;
- ensuring that the Trust will satisfy the provisions of each of subsections 108(2) and 132(6) of the Tax Act as from time to time amended or replaced;
- ensuring that such additional protection is provided for the interests of Trust Unitholders as the Trustee may consider expedient;
- removing or curing any conflicts or inconsistencies between the provisions of the Trust Indenture or any supplemental indenture and any other agreement of the Trust or any offering document pursuant to which securities of the Trust are issued with respect to the Trust, or any applicable law or regulation of any jurisdiction, provided that in the opinion of the Trustee the rights of the Trustee and of the Trust Unitholders are not prejudiced thereby;
- curing, correcting or rectifying any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions, provided that in the opinion of the Trustee the rights of the Trustee and of the Trust Unitholders are not prejudiced thereby.

Take-over Bid

The Trust Indenture contains provisions to the effect that if a takeover bid is made for the Trust Units and not less than 90% of the Trust Units (other than Trust Units held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Trust Units held by trust Unitholders who did not accept the takeover bid on the terms offered by the offeror.

Termination of the Trust

The Trust Unitholders may vote to terminate the Trust at any meeting of the Trust Unitholders duly called for that purpose, subject to the following: (a) a vote may only be held if requested in writing by the holders of not less than 20% of the Trust Units; (b) a quorum of 50% of the issued and outstanding Trust Units is present in person or by proxy; and (c) the termination must be approved by Special Resolution of Trust Unitholders.

Unless the Trust is earlier terminated or extended by vote of the Trust Unitholders, the Trustee shall commence to wind-up the affairs of the Trust on December 31, 2009. In the event that the Trust is wound-up, the Trustee will sell and convert into money the property of the Trust in one transaction or in a series of transactions at public or private sale and do all other acts appropriate to liquidate the property of the Trust, and shall in all respects act in accordance with the directions, if any, of the Trust Unitholders in respect of termination authorized pursuant to the Special Resolution authorizing the termination of the Trust. After paying, retiring or discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Trust and providing for indemnity against any other outstanding liabilities and obligations, the Trustee shall distribute the remaining part of the proceeds of the sale of the assets together with any cash forming part of the property of the Trust among the Trust Unitholders in accordance with their Pro Rata Share.

Reporting to Trust Unitholders

An independent, recognized firm of chartered accountants audits the financial statements of the Trust annually. The audited financial statements of the Trust, together with the report of such chartered accountants, will be mailed by the Trustee to Trust Unitholders and the unaudited interim financial statements of the Trust will be mailed to Trust Unitholders within the periods prescribed by securities legislation. The year end of the Trust is December 31.

The Trust is subject to the continuous disclosure obligations under all applicable securities legislation.

Management of the Trust

The Trust is not managed by a third party manager. The Trust and CCSI are managed by the management of CCSI.

The Trustee, on behalf of the Trust and CCSI has entered into an administration agreement pursuant to which CCSI will provide certain administrative services and facilities to the Trust, including, without limitation:

- the retention and monitoring, on behalf of the Trust, of the transfer agent and other organizations serving the Trust;
- the authorization and payment on behalf of the Trust of operation expenses incurred on behalf of the Trust, the negotiation of contracts with third party providers of services (including, but not limited to transfer agents, legal counsel, auditors and printers);
- the provision of office space, telephone, office equipment, facilities, supplies and executive, secretarial and clerical services;
- the preparation of accounting, management and other reports (including quarterly and annual reports to Trust Unitholders, financial statements, tax reporting to Trust Unitholders and income tax returns);
- keeping and maintaining the books and records of the Trust and the supervision of compliance by the Trust with record keeping requirements under applicable regulatory regimes;
- the calculation of the amount, and the determination of the frequency, of distributions by the Trust;
- the handling of communications and correspondence with Trust Unitholders and the preparation of notices of distributions to Trust Unitholders;
- responding to investors' enquiries and general investor relations in respect of the Trust;
- dealing with banks and other institutional lenders, including in respect of the maintenance of bank records and the negotiation and securing of bank financing or refinancing of one or more credit or debt facilities, hedging or swap facilities or other ancillary facilities;
- reviewing fees and expenses charged to the Trust and ensuring the timely payment thereof;
- providing assistance to the Trustee with respect to:
 - the preparation of the Trust's reports to relevant securities regulatory authorities and any similar organization of any government or the committee of any stock exchange to which the Trust is obligated to report and to otherwise assist the Trustee in dealing with any such regulatory authorities; and
 - the organization of meetings of Trust Unitholders; and
- the provision of such other administrative services as may be reasonably required for the ongoing business and administration of the Trust.

ADDITIONAL INFORMATION RESPECTING CCS INC.

General

CCSI is the continuing Alberta corporation resulting from the amalgamation of Canadian Crude Separators Inc. and CCS Inc. on May 22, 2002. CCSI's head and principal office is located at 2400, 530 – 8th Avenue S.W., Calgary, Alberta T2P 3S8.

CCSI is a reporting issuer in certain Canadian jurisdictions and will become subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Arrangement. Application has been made to the securities regulatory authorities for exemptions from those reporting requirements. Instead of complying with those reporting requirements (which would include filing separate financial statements for CCSI),

CCSI provides holders of Exchangeable Shares with the documents filed by the Trust pursuant to the informational reporting requirements to which the Trust is subject under applicable Canadian securities laws.

Management of CCSI

CCSI has a Board of Directors, currently consisting of five individuals. The directors are elected by the Trust at the direction of Unitholders by ordinary resolution. All directors were elected to their offices at the Annual and Special Meeting of Unitholders of the Trust held on May 14, 2003 and will continue to hold office until the next annual meeting of the Trust, which is planned to be held in May, 2004.

The following table sets forth certain information respecting the directors and executive officers of CCSI.

Name and Municipality of Residence	Office Held	Director Since	Principal Occupation
David P. Werklund Calgary, Alberta	Chairman of the Board of Directors, President and Chief Executive Officer	April 27, 1993	Mr. Werklund has been the President and Chief Executive Officer of the Corporation since 1984.
Brad R. Munro ⁽¹⁾ Saskatoon, Saskatchewan	Director, Chairman of the Audit Committee	May 6, 1999	Mr. Munro is the Vice-President, Investments of Growthworks (WVIS) Inc., manager of Working Ventures Canadian Fund Inc. Mr. Munro has been employed with Working Ventures since 1991. Mr. Munro has been active on Boards of Directors at eleven private and public companies, including seven currently.
J. Sherrold Moore ⁽¹⁾ Calgary, Alberta	Director, Chairman of the Nominating and Corporate Governance Committee	October 4, 1994	Mr. Moore has been an independent oil and gas industry consultant since 1994. Prior thereto, he was a Senior Vice President of Amoco Canada, an oil and gas company.
Bradley Thomson ⁽¹⁾ Calgary, Alberta	Director	May 14, 2003	Mr. Thomson has been a partner in Northridge Capital Inc., a private venture capital and management firm since 1999. From 1999 to 2001, Mr. Thomson also held the position of Chief Financial Officer of E-Zone Networks Inc., a privately held media technology company. From 1994 to 1998, Mr. Thomson was a senior vice-president, corporate development with TransCanada Energy Ltd., a division of TransCanada Pipelines.
Brian J. Evans, Q.C. ⁽¹⁾ Cochrane, Alberta	Director, Chairman of the Environmental, Health and Safety Committee	November 13, 1997	Mr. Evans has been a Partner with Miller Thomson LLP since July 1997. Prior thereto, Mr. Evans was a Member of the Legislature of Alberta and a Cabinet Minister in the Government of Alberta.
Gordon N. Vivian Valleyview, Alberta	Vice-President and General Manager, Well Servicing Division	N/A	Mr. Vivian is the General Manager, Well Servicing division of CCS and has been employed by CCS (or its predecessor companies) since 1979.
Donald P. Babb Red Deer, Alberta	Vice-President Operations, Energy Services Division	N/A	Mr. Babb is the Vice-President Operations, Energy Services division and has been employed with CCS (or its predecessor companies) since 1984.
Rene Amirault Calgary, Alberta	Vice-President, Corporate Development	N/A	Mr. Amirault is the Vice President Corporate Development and has been employed with CCS (or its predecessor companies) since 1994.

Name and Municipality of Residence	Office Held	Director Since	Principal Occupation
Marshall McRae Calgary, Alberta	Vice-President Finance, Chief Financial Officer and Corporate Secretary	N/A	Mr. McRae is the Vice-President Finance, Chief Financial Officer and Corporate Secretary and has been employed with CCS since August 2002. Prior thereto, Mr. McRae was a self-employed Financial Consultant during 2002. From November 1999 to January 2002 Mr. McRae was an Associate/Partner with Northridge Canada L.P., an independent venture capital and management partnership. From June 1992 to November 1999, Mr. McRae was employed by Versacold Corporation in various executive positions including Chief Financial Officer from 1996 through 1998.
Rick Wise Calgary, Alberta	Vice President, Midstream Division	N/A	Mr. Wise is the Vice President of the newly created Midstream division and joined the company in April 2003. Prior to joining CCS, Mr. Wise was employed with EnCana as Manager of Business Development within their Midstream group. Prior to joining EnCana, Mr. Wise was with Gibson Petroleum as Manager of Project Development, responsible for identifying and developing midstream related initiatives.

Notes

- (1) Member of the audit committee, human resources committee, nominating and corporate governance committee, and environmental health and safety committee.
- (2) Mr. Munro is Vice-President, Investments of Growthworks (WVIS), manager of Working Ventures Canadian Fund Inc., which owns of record 263,736 Common Shares.
- (3) The Corporation does not have an executive committee of its Board of Directors.

As at April 30, 2003 the directors and executive officers of CCSI, as a group, beneficially owned, directly or indirectly, 2,025,328 Trust Units or approximately 11.9% of the issued and outstanding Trust Units, as well as an aggregate of 5,579,429 Exchangeable Shares. Assuming all Exchangeable Shares were exchanged for trust units at the conversion rate in effect on April 30, 2003, the directors and executive officers would hold 8,114,583 Trust Units, or 34.5% of the then issued and outstanding Trust Units.

Distribution Policy

It is currently anticipated that the only income to be received by the Trust will be from: (i) the interest received on the principal amount of Notes, and (ii) the dividends received from the CCSI common shares that it will hold following the Arrangement. The Trust expects to make monthly cash distributions to Trust Unitholders of the interest income earned from the Notes and dividends, if any, received on CCSI common shares, after expenses, if any, and any cash redemptions of Trust Units.

CCSI Share Capital

CCSI is authorized to issue an unlimited number of common shares and an unlimited number of exchangeable shares, issuable in series, of which 6,500,000 Series A exchangeable shares (the "Exchangeable Shares") are authorized. The Trust is the sole holder of the issued and outstanding common shares of CCSI. The Trust is also the sole holder of the Notes with a principal value of approximately \$251 million.

Common Shares

Each common share entitles its holder to receive notice of and to attend all meetings of the shareholders of CCSI and to one vote at such meetings. The holders of common shares are, at the discretion of the board of directors of CCSI and subject to applicable legal restrictions, and subject to certain preferences of holders of Exchangeable

Shares, entitled to receive any dividends declared by the board of directors on the common shares to the exclusion of the holders of Exchangeable Shares, subject to the proviso that no dividends shall be paid on the common shares unless all declared dividends on the outstanding Exchangeable Shares have been paid in full. The holders of common shares are entitled to share equally in any distribution of the assets of CCSI upon the liquidation, dissolution, bankruptcy or winding-up of CCSI or other distribution of its assets among its shareholders for the purpose of winding-up its affairs. Such participation is subject to the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares and any other shares having priority over the common shares.

Exchangeable Shares

The following is a summary description of the material provisions of the Exchangeable Shares and the related ancillary and indirect rights of holders of Exchangeable Shares under the terms of the Voting and Exchange Trust Agreement and the Support Agreement:

Each Exchangeable Share has economic rights (including the right to have the Exchange Ratio adjusted to account for distributions paid to Unitholders) and voting attributes (through the benefit of the Special Voting Right granted to the Voting and Exchange Agreement Trustee) equivalent to those of the Trust Units into which they are exchangeable from time to time. In addition, Exchangeable Shareholders have the right to receive Trust Units at any time in exchange for their Exchangeable Shares, on the basis of the Exchange Ratio in effect at the time of the exchange. Fractional Trust Units will not be delivered on any exchange of Exchangeable Shares. In the event that the Exchange Ratio in effect at the time of an exchange would otherwise entitle an Exchangeable Shareholder to a fractional Trust Unit, the number of Trust Units to be delivered will be rounded down to the nearest whole number of Trust Units.

Ranking

The Exchangeable Shares rank rateably with shares of any other series of exchangeable shares of CCSI and prior to any common shares of CCSI and any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends, if any, that have been declared and the distribution of assets in the event of the liquidation, dissolution or winding-up of CCSI.

Dividends

Holders of Exchangeable Shares will be entitled to receive dividends if, as and when declared by the board of directors of CCSI. CCSI anticipates that it may, from time to time, declare dividends on the Exchangeable Shares up to but not exceeding any cash distributions on the Trust Units into which such Exchangeable Shares are exchangeable. In the event that any such dividends are paid, the Exchange Ratio will be correspondingly reduced to reflect such dividends.

Certain Restrictions

CCSI will not, without obtaining the approval of the holders of the Exchangeable Shares as set forth below under the sub-heading "Amendment and Approval":

- (a) redeem, purchase or make any capital distribution in respect of the common shares of CCSI or any other shares ranking junior to the Exchangeable Shares;
- (b) redeem or purchase any other shares of CCSI ranking equally with the Exchangeable Shares with respect to the payment of dividends or on any liquidation distribution; or
- (c) amend the articles or bylaws of CCSI in any manner that would affect the rights or privileges of the holders of Exchangeable Shares.

The above restrictions shall not apply if all declared dividends on the outstanding Exchangeable Shares shall have been paid in full.

Liquidation or Insolvency of CCSI

In the event of the liquidation, dissolution or winding-up of CCSI or any other proposed distribution of the assets of CCSI among its shareholders for the purpose of winding up its affairs, a holder of Exchangeable Shares will be entitled to receive from CCSI that number of Trust Units equal to the Exchange Ratio as at the effective date of such event.

Upon the occurrence of such an event, the Trust and CCS ExchangeCo will have the right to purchase all but not less than all of the Exchangeable Shares then outstanding (other than Exchangeable Shares held by the Trust or any subsidiary of the Trust) at a purchase price per Exchangeable Share to be satisfied by the issuance or delivery, as the case may be, of that number of Trust Units equal to the Exchange Ratio at such time and, upon the exercise of this right, the holders thereof, will be obligated to sell such Exchangeable Shares to the Trust or CCS ExchangeCo, as applicable. This right may be exercised, at the election of the Trust, by either the Trust or CCS ExchangeCo.

Upon the occurrence of an Insolvency Event, the Voting and Exchange Agreements Trustee on behalf of the holders of the Exchangeable Shares will have the right to require the Trust or CCS ExchangeCo to purchase any or all of the Exchangeable Shares then outstanding and held by such holders of that number of Trust Units by delivery to such holders Trust Units equal to the Exchange Ratio at such time as described under the sub-heading "Voting and Exchange Trust Agreement – Optional Exchange Right".

Automatic Exchange Right on Liquidation of the Trust

The Voting and Exchange Trust Agreement provides that in the event of a Trust liquidation event, as described below, the Trust or CCS will be deemed to have acquired each outstanding Exchangeable Share and each holder of Exchangeable Shares will be deemed to have exchanged their Exchangeable Shares immediately prior to such liquidation event on the basis of the number of Trust Units equal to the Exchange Ratio at such time, for each Exchangeable Share. "Trust liquidation event" means:

any determination by the Trust to institute voluntary liquidation, dissolution or winding-up proceedings in respect of the Trust or to effect any other distribution of assets of the Trust among the Unitholders for the purpose of winding up its affairs; or

the earlier of, notice of and the Trust's otherwise becoming aware of, any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding up of the Trust or to effect any other distribution of assets of the Trust among the Unitholders for the purpose of winding up its affairs.

Retraction of Exchangeable Shares by Holders and Retraction Call Right

Subject to the Retraction Call Right of the Trust and CCS ExchangeCo described below, a holder of Exchangeable Shares will be entitled at any time to require CCSI to redeem any or all of the Exchangeable Shares held by such holder for a retraction price (the "Retraction Price") per Exchangeable Share equal to the value of that number of Trust Units equal to the Exchange Ratio as at the date of redemption (the "Retraction Date"), to be satisfied by the delivery of that number of Trust Units. Fractional Trust Units will not be delivered. Any amount payable on account of the Retraction Price that includes a fractional Trust Unit will be rounded down to the nearest whole number of Trust Units. Holders of the Exchangeable Shares may request redemption by presenting to CCSI or the transfer agent for the Exchangeable Shares, a certificate or certificates representing the number of Exchangeable Shares the holder desires to have redeemed, together with a duly executed retraction request and such other documents as may be reasonably required to effect the redemption of the Exchangeable Shares. Subject to extension as described below, the redemption will become effective on the Retraction Date, which will be seven business days after the date on which the holder delivers the retraction notice. Unless otherwise requested by the holder and agreed to by CCSI, the Retraction Date will not occur on such seventh business day if such day would occur between any Distribution Record Date and the Distribution Payment Date that corresponds to such Distribution Record Date. In this case the Retraction Date will instead occur on such Distribution Payment Date. The reason for this is to ensure that the Exchange Ratio used in connection with such redemption is increased to account for the Distribution.

When a holder requests CCSI to redeem the Exchangeable Shares, the Trust and CCS ExchangeCo will have an overriding right (the "Retraction Call Right") to purchase on the Retraction Date all but not less than all of the Exchangeable Shares that the holder has requested CCSI to redeem at a purchase price per Exchangeable Share equal to the Retraction Price, to be satisfied by the delivery of that number of Trust Units equal to the Exchange Ratio. At the time of a Retraction Request by a holder of Exchangeable Shares, CCSI will immediately notify the Trust and CCS ExchangeCo. The Trust or CCS ExchangeCo must then advise CCSI within two business days as to whether the Retraction Call Right will be exercised. A holder may revoke his or her Retraction Request at any time prior to the close of business on the last business day immediately preceding the Retraction Date, in which case the holder's Exchangeable Shares will neither be purchased by the Trust or CCS ExchangeCo nor be redeemed by CCSI. If the holder does not revoke his or her Retraction Request, the Exchangeable Shares that the holder has requested CCSI to redeem, will on the Retraction Date, be purchased by the Trust or CCS ExchangeCo or redeemed by CCSI, as the case may be, in each case at a purchase price per Exchangeable Share equal to the Retraction Price. In addition, a holder of Exchangeable Shares may elect to instruct the Voting and Exchange Trust Agreement Trustee to exercise the Optional Exchange Right to require the Trust to acquire such holder's Exchangeable Shares in circumstances where neither the Trust nor CCS ExchangeCo have exercised the Retraction Call Right. See "Exchangeable Shares—Voting and Exchange Trust Agreement—Optional Exchange Right".

The Retraction Call Right may be exercised, at the election of the Trust, by either the Trust or CCS ExchangeCo. If, as a result of solvency provisions of applicable law, CCSI is not permitted to redeem all Exchangeable Shares tendered by a retracting holder, CCSI will redeem only those Exchangeable Shares tendered by the holder as would not be contrary to such provisions of applicable law. The holder of any Exchangeable Shares not redeemed by CCSI will be deemed to have required the Trust to purchase such unretracted Exchangeable Shares in exchange for Trust Units on the Retraction Date pursuant to the optional Exchange Right. See "Exchangeable Shares—Voting and Exchange Trust Agreement—Optional Exchange Right".

Redemption of Exchangeable Shares

Subject to applicable law and the Redemption Call Right of the Trust and CCS ExchangeCo, CCSI:

- (a) will, on the tenth anniversary of the Effective Date, subject to extension of such date by AcquisitionCo (the "Automatic Redemption Date"), redeem all, but not less than all of the then outstanding Exchangeable Shares, for a redemption price per Exchangeable Share equal to the value of that number of Trust Units equal to the Exchange Ratio as at the last business day prior to that Redemption Date (as that term is defined below) (the "Redemption Price"), to be satisfied by the delivery of that number of Trust Units; and
- (b) may, at any time when the aggregate number of issued and outstanding Exchangeable Shares is less than five per cent (5%) of the number of Exchangeable Shares issuable on the Effective Date (other than Exchangeable Shares held by the Trust and its subsidiaries) (the "De Minimus Redemption Date" and, collectively with Automatic Redemption Date, a "Redemption Date"), redeem all, but not less than all of the then outstanding Exchangeable Shares, for the Redemption Price per Exchangeable Share (unless contested in good faith by the Trust).

CCSI will, at least 45 days prior to any Redemption Date, provide the registered holders of the Exchangeable Shares with written notice of the prospective redemption of the Exchangeable Shares by CCSI.

The Trust and CCS will have the right (the "Redemption Call Right"), notwithstanding a proposed redemption of the Exchangeable Shares by CCSI on the applicable Redemption Date, pursuant to the Exchangeable Share Provisions, to purchase on any Redemption Date all but not less than all of the Exchangeable Shares then outstanding (other than Exchangeable Shares held by the Trust or its subsidiaries) in exchange for the Redemption Price and, upon the exercise of the Redemption Call Right, the holders of all of the then outstanding Exchangeable Shares will be obliged to sell all such shares to the Trust or CCS ExchangeCo, as applicable. If either the Trust or CCS ExchangeCo exercises the Redemption Call Right, CCSI's right to redeem the Exchangeable Shares on the applicable Redemption Date will terminate. The Redemption Call Right may be exercised, at the election of the Trust, by either the Trust or CCS ExchangeCo.

Voting Rights

Except as required by applicable law, the holders of the Exchangeable Shares are not entitled as such to receive notice of or attend any meeting of the shareholders of CCSI or to vote at any such meeting. Holders of Exchangeable Shares will have the notice and voting rights respecting meetings of the Trust that are provided in the Voting and Exchange Trust Agreement. See "Voting and Exchange Trust Agreement—Voting Rights".

Amendment and Approval

The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares may be changed only with the approval of the holders thereof. Any such approval or any other approval or consent to be given by the holders of the Exchangeable Shares will be sufficiently given if given in accordance with applicable law and subject to a minimum requirement that such approval or consent be evidenced by a resolution passed by not less than two-thirds of the votes cast thereon (other than shares beneficially owned by the Trust, or any of its subsidiaries and other affiliates) at a meeting of the holders of the Exchangeable Shares duly called and held at which holders of at least 20% of the then outstanding Exchangeable Shares are present in person or represented by proxy. In the event that no such quorum is present at such meeting within one-half hour after the time appointed therefore, then the meeting will be adjourned to such place and time (not less than ten days later) as may be determined at the original meeting and the holders of Exchangeable Shares present in person or represented by proxy at the adjourned meeting will constitute a quorum thereat and may transact the business for which the meeting was originally called. At the adjourned meeting, a resolution passed by the affirmative vote of not less than two-thirds of the votes cast thereon (other than shares beneficially owned by the Trust or any of its subsidiaries and other affiliates) will constitute the approval or consent of the holders of the Exchangeable Shares.

Actions by the Trust under the Support Agreement and the Voting and Exchange Trust Agreement

Under the Exchangeable Share Provisions, CCSI will agree to take all such actions and do all such things as are necessary or advisable to perform and comply with its obligations under, and to ensure the performance and compliance by the Trust with its obligations under, the Support Agreement and the Voting and Exchange Trust Agreement.

Non-Resident and Tax-Exempt Holders

Exchangeable Shares will not be issued to persons who are Non-Residents or who are exempt from tax under Part I of the Tax Act.

Voting and Exchange Trust Agreement

Voting Rights

In accordance with the Voting and Exchange Trust Agreement, the Trust has issued a Special Voting Right to Computershare Trust Company of Canada, the Voting and Exchange Agreement Trustee, for the benefit of the holders (other than the Trust and CCS ExchangeCo) of the Exchangeable Shares. The Special Voting Right carries a number of votes, exercisable at any meeting, at which Trust Unitholders are entitled to vote, equal to the number of Trust Units (rounded down to the nearest whole number) into which the Exchangeable Shares are then exchangeable. With respect to any written consent sought from the Trust Unitholders, each vote attached to the Special Voting Right will be exercisable in the same manner as set forth above.

Each holder of an Exchangeable Share on the record date for any meeting at which Trust Unitholders are entitled to vote will be entitled to instruct the Voting and Exchange Agreement Trustee to exercise that number of votes attached to the Special Voting Right equal to the number of Trust Units (rounded down to the nearest whole number) into which such Exchangeable Share is then exchangeable. The Voting and Exchange Agreement Trustee will exercise each vote attached to the Special Voting Right only as directed by the relevant holder and, in the absence of instructions from a holder as to voting, will not exercise such votes.

The Voting and Exchange Agreement Trustee will send to the holders of the Exchangeable Shares the notice of each meeting at which the Trust Unitholders are entitled to vote, together with the related meeting materials and a

statement as to the manner in which the holder may instruct the Voting and Exchange Agreement Trustee to exercise the votes attaching to the Special Voting Right, at the same time as the Trust sends such notice and materials to the Trust Unitholders. The Voting and Exchange Agreement Trustee will also send to the holders, copies of all information statements, interim and annual financial statements, reports and other materials sent by the Trust to the Trust Unitholders at the same time as such materials are sent to the Trust Unitholders. To the extent such materials are provided to the Voting and Exchange Agreement Trustee by the Trust, the Voting and Exchange Agreement Trustee will also send to the holders all materials sent by third parties to Trust Unitholders, including dissident proxy circulars and tender and exchange offer circulars, as soon as possible after such materials are first sent to Trust Unitholders, and the Voting and Exchange Agreement Trust will use its reasonable best efforts to obtain and deliver such materials to the Voting and Exchange Agreement Trustee.

All rights of a holder of Exchangeable Shares to exercise votes attached to the Special Voting Right will cease upon the exchange of all such holder's Exchangeable Shares for Trust Units. With the exception of administrative changes for the purpose of adding covenants for the protection of the holders of the Exchangeable Shares, making necessary amendments or curing ambiguities or clerical errors (in each case provided that the board of directors of CCS ExchangeCo and CCSI are of the opinion that such amendments are not prejudicial to the interests of the holders of the Exchangeable Shares), the Voting and Exchange Trust Agreement may not be amended without the approval of the holders of the Exchangeable Shares.

Optional Exchange Right

Upon the occurrence and during the continuance of:

- (a) an Insolvency Event; or
- (b) circumstances in which the Trust or CCS ExchangeCo may exercise a Call Right, but elect not to exercise such Call Right;

a holder of Exchangeable Shares will be entitled to instruct the Trustee to exercise the optional Exchange Right with respect to any or all of the Exchangeable Shares held by such holder, thereby requiring the Trust or CCS ExchangeCo to purchase such Exchangeable Shares from the holder. Immediately upon the occurrence of (i) an Insolvency Event, (ii) any event which will, with the passage of time or the giving of notice, become an Insolvency Event, or (iii) the election by the Trust and CCS ExchangeCo not to exercise a Call Right which is then exercisable by the Trust and CCS ExchangeCo, CCSI and the Trust will give notice thereof to the Trustee. As soon as practicable thereafter, the Trustee will then notify each affected holder of Exchangeable Shares (who has not already provided instructions respecting the exercise of the optional Exchange Right) of such event or potential event and will advise the holder of its rights with respect to the optional Exchange Right.

The purchase price payable by the Trust or CCS ExchangeCo for each Exchangeable Share to be purchased under the optional Exchange Right will be satisfied by the issuance of that number of Trust Units equal to the Exchange Ratio as at the last business day prior to the day of closing of the purchase and sale of such Exchangeable Share under the Exchange Right (the "Exchange Price").

If, as a result of solvency provisions of applicable law, CCSI is unable to redeem all of a holder's Exchangeable Shares which such holder is entitled to have redeemed in accordance with the Exchangeable Share Provisions, the holder will be deemed to have exercised the optional Exchange Right with respect to the unredeemed Exchangeable Shares and the Trust or CCS ExchangeCo will be required to purchase such shares from the holder in the manner set forth above.

Support Agreement

The Trust Support Obligation

Under the Support Agreement, the Trust agrees that:

- (a) the Trust will take all actions and do all things necessary to ensure that CCSI is able to pay to the holders of the Exchangeable Shares the Liquidation Amount in the event of a liquidation, dissolution or winding-up of CCSI, the Retraction Price in the event of the giving of a Retraction Request by a holder of Exchangeable Shares, or the Redemption Price in the event of a redemption of Exchangeable Shares by CCSI; and
- (b) the Trust will not vote or otherwise take any action or omit to take any action causing the liquidation, dissolution or winding-up of CCSI.

The Support Agreement will also provide that the Trust will not, subject to certain exceptions, distribute additional Trust Units or rights to subscribe therefore or other property or assets to all or substantially all of the Trust Unitholders, nor change the rights, privileges or other terms of the Trust Units, unless the same or an equivalent distribution on, or change to the Exchangeable Shares (or in the rights of the holders thereof) is made simultaneously. In the event of any proposed take-over bid, issuer bid or similar transaction affecting the Trust Units, the Trust will use reasonable efforts to take all actions necessary or desirable to enable holders of Exchangeable Shares to participate in such transaction to the same extent and on an economically equivalent basis as the Trust Unitholders.

The Support Agreement also provides that, as long as any outstanding Exchangeable Shares are owned by any person or entity other than the Trust or any of its respective subsidiaries and other affiliates, the Trust will, unless approval to do otherwise is obtained from the holders of Exchangeable Shares, remain the direct or indirect beneficial owner collectively of more than 50% of all of the issued and outstanding voting securities of CCSI, provided that the Trust will not be in violation of this obligation if a party acquires all or substantially all of the assets of the Trust. With the exception of administrative changes for the purpose of adding covenants for the protection of the holders of the Exchangeable Shares, making certain necessary amendments or curing ambiguities or clerical errors (in each case provided that the board of directors of CCSI and the Trustee are of the opinion that such amendments are not prejudicial to the interests of the holders of the Exchangeable Shares), the Support Agreement may not be amended without the approval of the holders of the Exchangeable Shares.

Under the Support Agreement, the Trust agrees to not exercise any voting rights attached to the Exchangeable Shares owned by it or any of its respective subsidiaries and other affiliates on any matter considered at meetings of holders of Exchangeable Shares (including any approval sought from such holders in respect of matters arising under the Support Agreement).

Delivery of Trust Units

The Trust will make such filings and seek such regulatory consents and approvals as are necessary so that the Trust Units issuable upon the exchange of Exchangeable Shares will be issued in compliance with applicable securities laws in Canada and may be traded freely on the TSE or such other exchange on which the Trust Units may be listed, quoted or posted for trading from time to time.

Notes

The following is a summary of the material attributes and characteristics of the Notes issued pursuant to the note indenture (the "Note Indenture") dated May 22, 2002 and made between CCSI and Computershare Trust Company of Canada, as trustee (the "Note Trustee"):

Terms and Issue of Notes

The Notes are unsecured and bear interest from the date of issue at 13% per annum. Interest is payable for each month during the term on the 15th day of the month following such month. The first interest payment was due on July 15, 2002 for the period commencing on May 22, 2002 and ending on June 30, 2002.

Commencing on June 15, 2002, and on the 15th day of each subsequent month during the term, CCSI is required, subject to the terms of any secured financing, to make principal payments on the Notes in an amount equal to one-twelfth of CCSI's Available Cash Flow (calculated pursuant to the Note Indenture) for the prior calendar year.

Available Cash Flow for a calendar year shall, in general terms, consist of CCSI's gross revenue less all: taxes, general and administrative expenses, operating expenses, capital expenditures and principal and interest payments on all secured debt and on the Notes.

Because of the variable factors determining Available Cash Flow, CCSI may not be required, in any calendar year, to pay any principal to holders of Notes.

All principal will be due on maturity, December 31, 2022. CCSI shall at any time be allowed to prepay all or any part of the outstanding principal without notice or bonus.

In contemplation of the possibility that Notes may be distributed to Trust Unitholders upon the redemption of their Trust Units, the Note Indenture provides that if persons other than the Trust (the "Non-Fund Holders") own Notes having an aggregate principal amount in excess of \$1,000,000, either the Trust or the Non-Fund Holders shall be entitled, among other things, to require the Note Trustee to exercise the powers and remedies available under the Note Indenture upon an event of default and, with the Trust, the Non-Fund Holders may provide consents, waivers or directions relating generally to the variance of the Note Indenture and the rights of noteholders. The Note Indenture will allow the Trust flexibility to delay payments of interest or principal otherwise due to it while payment is made to other noteholders, and allows other noteholders to be paid out before the Trust. Any delayed payments will be due 5 days after demand.

Principal and interest on the Notes will be payable in lawful money of Canada directly to the holders of Notes at their address set forth in the register of holders of Notes. The Trust is the holder of all of the issued and outstanding Notes.

Ranking

The Notes are unsecured debt obligations of CCSI and rank pari passu with all other unsecured indebtedness of CCSI, but subordinate to all secured debt.

Events of Default

The Note Indenture provides that any of the following shall constitute an Event of Default: (i) default in payment of the principal of the Notes when required; (ii) the failure to pay all of the interest obligations on the Notes for a period of 90 days; (iii) if CCSI has defaulted and a demand for payment has been made under any material instrument, indenture or document evidencing indebtedness of more than \$5 million and CCSI has failed to remedy such default within applicable curative periods; (iv) certain events of winding-up, liquidation, bankruptcy, insolvency, receivership or seizure; (v) default in the observance or performance of any other covenant or condition of the Note Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Note Trustee to CCSI specifying such default and requiring CCSI to rectify the same; (vi) CCSI ceasing to carry on its business other than as contemplated in this Information Circular; and (vii) material default by CCSI under material agreements if property having a fair market value in excess of \$5 million is liable to forfeiture or termination.

Management of CCSI

The Trustee shall not vote the Common Shares of CCSI held by it on the election of directors of CCSI, the appointment of auditors of CCSI, or the approval of CCSI's financial statements except in accordance with an ordinary resolution adopted at an annual meeting of Unitholders.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The Trust commenced operations May 22, 2002 under the Arrangement that converted CCSI into an income trust. However, to provide Unitholders with meaningful, comparative financial information, the accounts for Canadian Crude Separators Inc. are included for the period January 1, 2002 to May 22, 2002 on a continuity of interest basis, as if the Trust had existed since the beginning of that period. The following comparative information for 2001 and 2000 is for Canadian Crude Separators Inc.

Annual Information (\$000's except for per share information)

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Net Sales or Total Revenues	\$118,123	\$110,961	\$ 67,849
Net Income			
Total	22,428	20,579	11,976
Basic Per Trust Unit or Share	1.08	1.57	0.91
Fully Diluted Per Trust Unit or Share	1.08	1.19	0.81
Total Assets	232,888	182,207	124,413
Total Long-Term Financial Liabilities	49,543	84,648	52,991
Cash Dividends Declared Per Share (by share class)			
Series A Preferred Shares	Nil	\$0.216	\$0.216

Notes:

- (1) There have been no discontinued operations or other factors that have created a difference between the income from continuing operations and the net income or loss, hence the two related sections above are comprised of the same figures.

Quarterly Information

(\$000's except per share amounts)	2002				2001			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Revenue	33,066	29,604	20,406	35,047	30,582	29,451	24,088	26,840
Income (Loss) from Continuing Operations	8,703	8,371	(1,676)	7,030	5,718	5,487	3,879	5,495
per share (basic)	0.38	0.41	(0.09)	0.52	0.43	0.42	0.30	0.42
per share (fully diluted)	0.38	0.41	(0.09)	0.39	0.32	0.32	0.23	0.32
Net Income (Loss)	8,703	8,371	(1,676)	7,030	5,718	5,487	3,879	5,495
per share (basic)	0.38	0.41	(0.09)	0.52	0.43	0.42	0.30	0.42
per share (fully diluted)	0.38	0.41	(0.09)	0.39	0.32	0.32	0.23	0.32

MANAGEMENT'S DISCUSSION AND ANALYSIS**Management's Discussion of Financial Position and Variation in Operating Results**

Reference is made to the "Management's Discussion and Analysis" ("MD&A") of the Trust on pages 22 through 33 inclusive, of the Trust's 2002 Annual Report, which pages are incorporated herein by reference.

In the MD&A, EBITDA (earnings before income taxes, depreciation and amortization), a non-GAAP (Canadian generally accepted accounting principles) performance measure, is used. EBITDA is provided to assist investors in determining the ability of the Trust to generate cash from operations and is calculated from the consolidated statement of net income as operating margin less general and administrative costs. This measure does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

MARKET FOR SECURITIES

The Units of the Trust are listed on the Toronto Stock Exchange under the symbol "CCR.UN".

DISTRIBUTIONS

The board of directors of CCSI Inc. has approved a distribution policy wherein CCS Income Trust will pay to Unitholders a monthly distribution of \$0.14 per unit. The initial cash distribution of 18 cents per unit to Trust Unitholders of record on June 30, 2002 was made on July 15, 2002 relating to the period from May 22 to June 30, 2002. Since its inception, the Trust has declared and paid the following cash distributions to Unitholders:

Period covered	Date of record	Date of Distribution	Per unit \$
May 23, 2002 to June 30, 2002	06/30/02	07/15/02	0.18
July 1, 2002 to July 31, 2002	07/31/02	08/15/02	0.14
August 1, 2002 to August 31, 2002	08/31/02	09/16/02	0.14
September 1, 2002 to September 30, 2002	09/30/02	10/15/02	0.14
October 1, 2002 to October 31, 2002	10/31/02	11/15/02	0.14
November 1, 2002 to November 30, 2002	11/30/02	12/16/02	0.14
December 1, 2002 to December 31, 2002	12/31/02	01/15/03	0.14
January 1, 2003 to January 31, 2003	1/31/03	2/18/03	0.14
February 1, 2003 to February 28, 2003	2/28/03	3/17/03	0.14
March 1, 2003 to March 31, 2003	3/31/03	4/15/03	0.14
April 1, 2003 to April 30, 2003	04/30/03	05/15/03	0.14

It is expected that cash distributions will continue to be made on the 15th day of each month to Trust Unitholders of record on the immediately preceding distribution record date.

RISK FACTORS

The following is a summary of certain risk factors relating to the business of CCSI and the Trust. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this annual information form. Unitholders and potential Unitholders should consider carefully the information contained herein and, in particular, the following risk factors.

General

The Trust is a limited purpose trust, which is entirely dependent upon the operations and assets of CCSI through its ownership directly and indirectly, of the Common Shares of CCSI and the Notes. Accordingly, the Trust is dependent upon the ability of CCSI to meet its interest and principal repayment obligations under the Notes and its interest and principal obligations under credit or debt facilities with banks and other financial institutions. CCSI's income is received from providing services to oil and gas producers and will be susceptible to the risks and uncertainties associated with the oil and natural gas industry generally.

Nature of Trust Units

Securities such as the Trust Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Trust Units do not represent a direct investment in CCSI's business and should not be viewed by investors as shares in CCSI. As holders of Trust Units, Trust Unitholders do not have the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions. The Trust Units represent a fractional interest in the Trust. The Trust's primary assets are the Notes and the CCSI Common Shares.

Unitholder Limited Liability

The Trust Indenture provides that no Trust Unitholder shall incur or will be subject to any liability in contract or in tort in connection with the Trust or its obligations and affairs and, in the event that a court determines that Trust

Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder's share of the Trust's assets.

The Trust Indenture further provides that all contracts signed by or on behalf of the Trust must contain a provision to the effect that such obligation will not be binding upon Trust Unitholders personally. Notwithstanding the terms of the Trust Indenture, Trust Unitholders may not be protected from liabilities of the Trust to the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Trust that do not arise under contracts.

The business of the Trust will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the Trust Unitholders for claims against the Trust.

Redemption of Trust Units

It is anticipated that the redemption right associated with Trust Units will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units. Notes (or Redemption Notes), which may be distributed in specie to Trust Unitholders in connection with a redemption, will not be listed on any stock exchange and no market is expected to develop in such Notes (or Redemption Notes). Notes (or Redemption Notes) will not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans.

Risks and Uncertainties

Both the development and operation of treatment, recovery and disposal plants and the provision of contract well services involve a number of risks and uncertainties. The risks facing both these sectors of CCS' business are many and varied and it is not possible to reasonably quantify the financial impact of those risks.

Demand for Services

Treatment and waste disposal services are largely dependent on the willingness of customers to outsource their waste management activities. Until the late 1980's, third party waste treatment, recovery and disposal service providers did not exist because of the internal treatment of waste by oilfield operators. Environmental regulations do not prohibit numerous internal options available to oilfield waste generators, such as bioremediation, land spreading, road spreading and deep well disposal options. Moreover, virtually all oilfield waste generators of any material size have numerous abandoned wells that could easily be licensed to dispose of third party waste in competition with CCS and batteries that could be used to treat oilfield waste to recover oil. As such, the demand for CCS' services could be curtailed by a trend towards internal waste management.

In addition, treatment and waste disposal services, as well as the operation of service rigs, are directly related to the level of activity in the western Canadian oil and gas industry. Accordingly, the demand for the services of both divisions of CCS is primarily dependent on the level of production activity being undertaken by oil and gas companies in western Canada. The primary uncertainties facing this industry are whether exploration and development expenditures will result in the discovery of reserves which are economic in relation to the amount invested and a tendency for oil and gas prices to fluctuate, sometimes significantly. Future oil and gas prices are affected by events, governments and organizations, which are beyond the control of CCS and its clientele, and historically, have significantly impacted the oil and gas industry. As world oil prices are quoted in U.S. dollars, fluctuations in the Canada/U.S. exchange rate also impacts CCS customers and, consequently, CCS itself.

Competition

CCS has many competitors in the treatment, recovery and disposal business. There are several other companies that offer similar third party services. In addition, many of CCS' customers manage a portion of their own waste internally without use of a third party service provider and some also offer such services to other oil companies. (See "Demand for Services" above) This results in several of CCS' customers also being competitors in the treating and disposal sector. Moreover, barriers to entry into the waste treatment, recovery and disposal business are low and expose CCS to potential additional competition from new entrants. (See "Regulatory Environment" above.)

The service rig industry in western Canada is largely made up of a number of public and private companies. No single company has more than 27% of the available service rig business.

Access to Equipment and Development of New Technology

The technology used in the waste treatment, recovery and disposal business is not protected by intellectual property rights. Indeed, the technology is common knowledge within the oil and gas industry. As such, there are no significant technological barriers to entry within the industry. Moreover, the cost of building a waste treatment facility, converting an abandoned well or otherwise entering into the industry is not significant and is easily financed. As such, the potential for new entrants is considerable and likely to occur.

Similarly, there is no unique technology employed in the service rig business. Numerous sources of rigs exist for existing competitors and new entrants.

Employees

The success of CCS' growth plan is dependent upon the availability of qualified, experienced people to manage and operate its facilities and service rigs.

Environment

CCS' business involves the handling, processing and storage of oil-contaminated products. CCS is exposed to potential environmental liability in connection with its business. CCS manages this risk by following documented testing and operating procedures and by maintaining regular monitoring programs.

CCS maintains insurance consistent with industry practice to protect against losses due to sudden and accidental environmental contamination, accidental destruction of assets, and other operating accidents or disruptions. CCS also has operational and emergency response procedures, and safety and environmental programs in place to reduce potential loss exposure. CCS believes that it is in substantial compliance, in all material respects, with all current environmental legislation and is taking such steps as it believes are prudent to ensure that compliance will be maintained. CCS is uncertain of the costs that may be involved to continue to effect such compliance.

ADDITIONAL INFORMATION

Additional information including remuneration of directors and officers, principal holders of securities and options to purchase Units and interests of insiders in material transactions, is contained in the Information Circular – Proxy Statement of the Trust dated April 9, 2003 and additional financial information is provided in the financial statements of the Trust for the year ended December 31, 2002 and for the quarter ended March 31, 2003.

The Trust shall provide to any person, upon request to the Secretary of CCSI on behalf of the Trust:

- (a) when the securities of the Trust are in the course of a distribution pursuant to a preliminary short form prospectus or a short form prospectus,
 - (i) one copy of the Annual Information Form of the Trust, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form,
 - (ii) one copy of the financial statements of the Trust for the most recently completed fiscal year together with the accompanying report of the auditor and one copy of the most recent subsequent interim financial statements,
 - (iii) one copy of the Information Circular – Proxy Statement of the Trust in respect of its most recent annual meeting; and
 - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

- (b) at any other time, one copy of any of the documents referred to in (a)(i), (ii) and (iii) above, provided the Trust may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Trust.

For additional copies of the Annual Information Form and the materials listed in the preceding paragraphs please contact:

CCS Income Trust
c/o CCS Inc.
2400, 530 – 8th Avenue S.W.
Calgary, AB T2P 3S8

Phone: (403) 233-7565
Fax: (403) 261-5612