



Independent Stock Idea

April 29, 2011

rating: buy
s&p 500: 1360

Canadian Oil Sands Limited (COSWF) Dividend Increased 50%

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 3/31/12 (US\$mm)</i>	2,650
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-4
<i>Price (US\$/share)</i>	33.26	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/28/11	<i>Adjusted Reserves/Production NTM</i>	31.1
<i>Shares (mm)</i>	485	<i>EV/Ebitda</i>	6.7
<i>Market Capitalization (US\$mm)</i>	16,100	<i>PV/Ebitda</i>	10.2
<i>Debt (US\$mm)</i>	1,700	<i>Probable Reserves (%)</i>	48
<i>Enterprise Value (EV) (US\$mm)</i>	17,800	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	65.51
<i>Present Value (PV) (US\$mm)</i>	26,900	<i>Present Value Proven and Probable Reserves(US\$/boe)</i>	31.68
<i>Net Present Value (US\$/share)</i>	52	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	57
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/share)</i>	3.17
<i>McDep Ratio - EV/PV</i>	0.66	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	3.8	<i>Dividend Next Twelve Months (US\$/share)</i>	1.26
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$8 a million btu.			
For historical analysis of COS since 2002 see www.mcdep.com/4cos.htm			

Summary and Recommendation

It is a relief to see that management of buy-recommended **Canadian Oil Sands Limited (COSWF)** has released a wider sliver of its river of cash flow as a distribution to the owners of the company. Last year's dividend reduction that produced such a negative reaction in stock price proved to be a one quarter phenomenon. The new dividend rate of C\$1.20 a year, up from C\$0.80, is only partial recognition of the increase in management guidance. The new official outlook increases free cash flow, management's measure of dividend paying capacity, to C\$2.23, up from C\$0.80. At yet to be achieved full capacity operations of 350,000 barrels daily, dividend paying ability on a free cash flow basis would be C\$4.00 a year with current oil price and capital expenditures. In other words, the new dividend rate understates the value of the underlying resource just as current stock price does as it corresponds to a McDep Ratio of 0.66. At a time when investors need investments to offset the declining purchasing power of nearly all global currencies, COSWF is our top choice among large cap stocks concentrated on high quality oil resources in North America. Latest analysis offers more detail in support of Net Present Value (NPV) of US\$52 a share compared to current stock price of US\$33 (see table Next Twelve Months Dividend Estimates and chart Syncrude Monthly Production on page 2 and table Next Twelve Months Operating and Financial Estimates on page3). A political environment proving to be supportive of higher crude oil price may help the stock appreciate beyond current NPV.

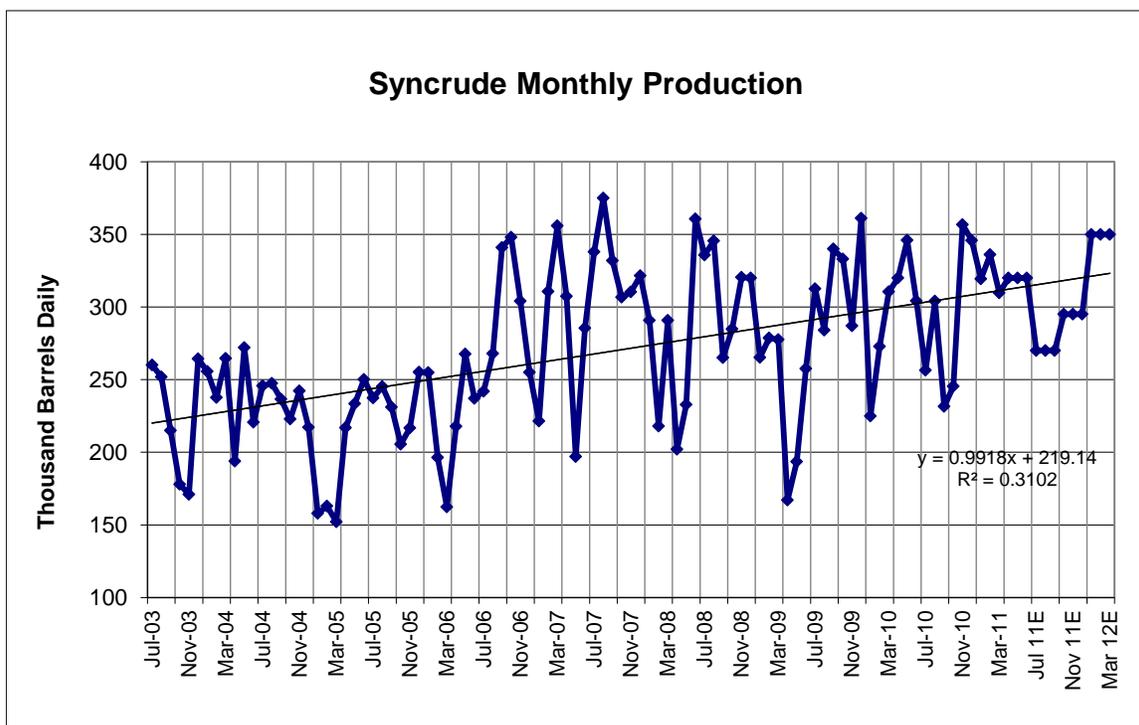
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Canadian Oil Sands										
Next Twelve Months Dividend Estimates										
(Canadian Dollars)										
	Q1		Q4		Q3E		Q4E		Year	Next Twelve Months
	3/31/10	12/31/10	3/31/11	6/30/11	9/30/11	12/31/11	2011E	3/31/12	3/31/12	
Ebitda	292	410	543	698	567	641	2,449	771	2,676	
Interest	26	21	14	3	3	3	23	5	14	
Current Income Tax				10	10	10	30	10	40	
Cash Flow Before Reinvestment	266	389	529	685	554	628	2,396	756	2,622	
Non-Production Expense	36	24	33	38	38	38	147	38	152	
Capital Expenditures	92	163	109	250	250	250	859	232	982	
Free Cash Flow	138	202	387	397	266	340	1,390	486	1,489	
Per Share										
Cash Flow Before Reinvestment	0.55	0.80	1.09	1.41	1.14	1.30	4.94	1.56	5.41	
Free Cash Flow	0.29	0.42	0.80	0.82	0.55	0.70	2.87	1.00	3.07	
Dividend	0.35	0.50	0.20	0.30	0.30	0.30	1.10	0.30	1.20	





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Canadian Oil Sands Trust																			
Next Twelve Months Operating and Financial Estimates																			
(Canadian Dollars)																			
	Q1		Q4		Q1		Q2E		Q3E		Q4E		Year		Q1E		Next		
	3/31/10	12/31/10	3/31/11	6/30/11	9/30/11	12/31/11	2011E	3/31/12	3/31/12										
Volume																			
Syncrude (mmb)	24.2	29.0	28.9	29.1	24.8	27.1	110.0	31.5	112.6										
Syncrude (mbd)	269	316	321	320	270	295	301	350	308										
Trust share (%)	36.9	36.4	37.6	36.7	36.7	36.7	37.0	36.7	36.7										
Trust Oil (mmb)	8.94	10.56	10.88	10.70	9.13	9.97	40.7	11.57	41.4										
Trust Oil (mbd)	99.3	114.7	120.9	117.6	99.2	108.4	111.4	128.6	113.3										
Price																			
WTI Cushing (US\$/bbl)	78.67	85.10	94.10	111.43	112.83	113.01	107.84	112.55	112.46										
Currency (US\$/C\$)	0.96	0.99	1.01	1.05	1.05	1.05	1.04	1.05	1.05										
WTI Cushing (C\$/bbl)	81.82	86.13	92.75	106.10	107.43	107.60	103.47	107.16	107.07										
Differential	0.24	(2.16)	0.29	4.00	4.00	4.00	2.73	4.00	3.98										
Trust Oil Price (C\$/bbl)	82.06	83.97	93.04	110.10	111.43	111.60	106.20	111.16	111.05										
Henry Hub Nat Gas (US\$/mm)	5.32	3.80	4.11	4.35	4.55	4.79	4.45	4.50	4.55										
Henry Hub Nat Gas (C\$/mmb)	5.53	3.85	4.05	4.14	4.33	4.56	4.27	4.29	4.33										
AECO Natural Gas (C\$/GJ)	4.95	3.45	3.59	3.67	3.84	4.05	3.79	3.80	3.84										
Revenue (C\$mm)																			
Production	307	340	333	333	333	333	1,333	331	1,331										
Purchased Energy	47	54	54	45	40	46	185	50	181										
Crown Royalties	78	75	71	94	68	83	317	116	362										
Insurance	2	1	2	2	3	3	10	3	11										
Administration	8	6	9	6	6	6	27	7	25										
Reclamation Spending	-	-	-	-	-	-	-	10	10										
Total	442	476	469	480	450	471	1,871	515	1,918										
bitda																			
Deprec., Deplet., & Amort.	103	88	95	95	95	95	380	95	380										
Non-Production	36	24	33	38	38	38	147	38	152										
Exchange on U.S. Debt	(33)	(35)	(22)																
Other	(9)	3	(4)																
bit																			
Interest	26	21	14	3	3	3	23	5	14										
bt																			
Income Tax			103	146	112	131	492	165	554										
net Income (C\$mm)																			
Shares (millions)	484	484	485	485	485	485	485	485	485										
Earnings per share (C\$)	0.35	0.64	0.67	0.86	0.66	0.77	2.96	0.97	3.25										
Ebitda Margin (E&P)	40%	46%	54%	59%	56%	58%	57%	60%	58%										
Tax Rate			24%	26%	26%	26%		26%	26%										
unds from Operations (\$mm)																			
	230	365	496	657	526	600	2,279	728	2,510										



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