

Rating: Buy
S&P 500: 1227

Canadian Oil Sands Trust Distribution Capability Blossoming

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$mm)</i>	1,220
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-8
<i>Price (US\$/un)</i>	76.48	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/21/05	<i>Adjusted Reserves/Production NTM</i>	20.0
<i>Units (mm)</i>	93	<i>EV/Ebitda</i>	7.2
<i>Market Capitalization (US\$mm)</i>	7,080	<i>PV/Ebitda</i>	8.5
<i>Debt (US\$mm)</i>	1,660	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	8,740	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	37.63
<i>Present Value (PV) (US\$mm)</i>	10,400	<i>Present Value Proven Reserves(US\$/boe)</i>	9.72
<i>Net Present Value (US\$/unit)</i>	94	<i>Present Value Proven Reserves(US\$/mcf)</i>	1.62
<i>Debt/Present Value</i>	0.16	<i>Earnings Next Twelve Months (US\$/un)</i>	9.95
<i>McDep Ratio - EV/PV</i>	0.84	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	2.1	<i>Indicated Annual Dividend (US\$/un)</i>	1.64

Note: Estimated cash flow and earnings tied to one-year futures prices for oil.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary and Recommendation

We continue to recommend current purchase of the units of **Canadian Oil Sands Trust (COSWF)** for rising cash distributions from the largest long-life oil resource in North America. Record oil price drove cash flow to US\$2.48 a unit for the quarter just ended, six times the current quarterly distribution of US\$0.41. There is wide scope for a distribution increase to be announced with the next quarterly report. Meanwhile the stock seems priced like a takeover candidate rather than an income stock. Nor do investors seem to be paying for the 50% capacity expansion to be fully operative a year from now. Present value is \$94 on \$40 oil, \$177 on \$60 oil and the latest quote in the futures market for oil to be delivered over the next six years is more than \$56 a barrel.

Quarterly Results on Target

Syncrude Sweet Blend, the crude oil produced, attracts a larger than anticipated price advantage (see table Next Twelve Months Operating and Financial Estimates). Apparently an unusual amount of inventory was still in pipeline transit in the latest quarter and the trust recorded as sales slightly less than its full share of Syncrude production.

There should be no doubt of risk in forecasts. As telegraphed early in July when June volumes were reported on the trust's website, management revised downward its full year volume forecast a minor amount. It is a challenge to operate a state-of-the-art processing facility. Though we talk about fully expanded capacity operations effective in the third quarter of 2006, we are practically sure that the actual experience will be somewhat less. Despite that consideration, the profit and distribution potential of Canadian Oil Sands Trust appears to be exceptional (for more analysis see *Independent Stock Idea, Canadian Oil Sands Trust*, July 6, 2005).

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Please see disclosures on the final page.

Canadian Oil Sands Trust
Next Twelve Months Operating and Financial Estimates
 (Canadian Dollars)

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>12/30/04</i>	<i>2004</i>	<i>3/31/05</i>	<i>6/30/05</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>6/30/06</i>
Volume										
Syncrude (mmb)	21.0	87.2	14.2	21.2	21.0	23.0	79.4	22.5	22.8	89.3
Syncrude (mmbd)	228	238	157	233	228	250	218	250	250	245
Days	92	366	90	91	92	92	365	90	91	365
Trust share (%)	34.3	35.5	38.0	34.1	35.5	35.5	35.6	35.5	35.5	35.5
Trust Oil (mmb)	7.20	31.0	5.39	7.24	7.45	8.16	28.2	7.99	8.07	31.7
Trust Oil (mmbd)	78.3	84.6	59.9	79.5	81.0	88.7	77.4	88.7	88.7	86.8
Price										
WTI Cushing (US\$/bbl)	48.31	41.44	49.65	53.05	56.73	58.35	54.45	58.97	59.28	58.33
Currency (US\$/C\$)	0.82	0.77	0.82	0.80	0.82	0.82	0.82	0.82	0.82	0.82
WTI Cushing (C\$/bbl)	58.91	53.73	60.85	65.99	69.10	71.07	66.75	71.82	72.20	71.05
Differential	0.97	(0.16)	3.36	3.00			1.96			0.04
Trust Oil Price (C\$/bbl)	59.88	53.57	64.21	68.99	69.10	71.07	68.71	71.82	72.20	71.09
Henry Hub Nat Gas (US\$/mmbtu)	7.10	6.15	6.27	6.76	7.21	7.99	7.05	8.82	7.62	7.91
Henry Hub Nat Gas (C\$/mmbtu)	8.65	7.97	7.68	8.40	8.78	9.73	8.65	10.74	9.28	9.63
AECO Natural Gas (C\$/GJ)	6.40	6.29	6.45	6.94	7.25	8.03	7.17	8.87	7.69	7.96
Revenue (\$mm)										
Oil	431	1,658	346	499	515	580	1,940	574	583	2,252
Transportation & Marketing	(11)	(45)	(8)	(12)	(12)	(14)	(46)	(14)	(14)	(54)
Other	(0)	0	0	0	0	0	1	-	-	1
Total	421	1,614	338	487	503	567	1,895	560	569	2,198
Expense										
Production	118	470	170	113	113	113	509	143	113	482
Purchased Energy	35	130	36	41	43	52	172	56	37	188
Crown Royalties	6	18	3	5	5	6	19	6	6	23
Insurance	3	9	3	2	2	2	9	3	2	9
Administration	3	9	2	3	3	3	11	3	3	11
Taxes and Other	3	(2)	2	1	1	1	5	2	1	5
Total	169	635	216	166	167	177	725	212	161	717
Ebitda										
Total	252	979	122	322	336	390	1,170	348	408	1,482
Deprec., Deplet., & Amort.	41	172	31	47	45	49	172	48	48	190
Oil Hedging	92	274								
Currency Hedging	(5)	(13)	(5)	(5)	(6)	(6)	(23)	(6)	(6)	(25)
Non-Production	16	48	12	21	21	21	75	22	22	86
Exchange on U.S. Debt	(50)	(79)	5	15			20			-
Future Income Tax	10	(27)	(5)	(1)			(6)			-
Ebit										
Total	148	604	85	244	276	326	931	284	344	1,230
Interest	26	95	26	27	27	27	106	27	27	109
Net Income (\$mm)										
Total	122	509	59	218	249	299	825	257	316	1,122
Per Unit (\$)	1.34	5.70	0.64	2.38	2.71	3.24	8.96	2.77	3.40	12.12
Units (millions)										
Total	91.3	89.4	91.5	91.8	92.1	92.4	92.0	92.7	93.0	92.6
Cash Flow (\$mm)										
Total	123	575	91	279	294	348	1,011	305	365	1,312
Per Unit (\$)	1.33	6.43	1.02	3.09	3.19	3.77	10.99	3.29	3.92	14.17
Ratios										
Production (\$/bbl)	16.42	15.19	31.53	15.62	15.17	13.85	18.03	17.91	14.00	15.22
Purchased Energy (\$/bbl)	4.85	4.20	6.59	5.73	5.74	6.36	6.08	7.02	4.58	5.93
Prod&Purch En (\$/bbl)	21.27	19.40	38.12	21.35	20.91	20.21	24.11	24.93	18.58	21.15
Crown Royalties & Taxes	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Other Expense (\$/bbl)	0.42	(0.06)	0.45	0.14	0.13	0.12	0.19	0.25	0.12	0.16
Ebitda Margin	60%	61%	36%	66%	67%	69%	62%	62%	72%	67%
Deprec., D, & A (\$/bbl)	5.72	5.56	5.81	6.45	6.00	6.00	6.08	6.00	6.00	6.00
Distribution										
Total	0.50	2.00	0.50	0.50	0.50	0.50	2.00	0.50	0.50	2.00

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Research Methodology/Ratings Description: McDep Associates is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.

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