

Rating: Buy
S&P 500: 1259

Canadian Oil Sands Trust Expansion Startup Caution

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	1,330
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-8
<i>Price (US\$/un)</i>	27.01	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/19/06	<i>Adjusted Reserves/Production NTM</i>	20.0
<i>Units (mm)</i>	464	<i>EV/Ebitda</i>	10.7
<i>Market Capitalization (US\$mm)</i>	12,530	<i>PV/Ebitda</i>	10.8
<i>Debt (US\$mm)</i>	1,720	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	14,250	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	33.62
<i>Present Value (PV) (US\$mm)</i>	14,300	<i>Present Value Proven Reserves(US\$/boe)</i>	14.12
<i>Net Present Value (US\$/unit)</i>	27	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.35
<i>Debt/Present Value</i>	0.12	<i>Earnings Next Twelve Months (US\$/un)</i>	1.81
<i>McDep Ratio - EV/PV</i>	0.99	<i>Price/Earnings Next Twelve Months</i>	15
<i>Dividend Yield (%/year)</i>	5.9	<i>Indicated Annual Dividend (US\$/un)</i>	1.60

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

The stock of buy-recommended **Canadian Oil Sands Trust (COSWF)** is at an attractive buy point after declining 20% from its high to approach its 200-day average of about US\$25 a unit. Temporarily negative news has developed with the slowed startup of new upgrading (refining) capacity to determine the source of an unexpected odor. The action affects incremental capacity of 100,000 barrels daily (bd) that had been expected to be operational by mid-year. The trust owns 35.5% of the Syncrude plant whose base capacity of 250,000 bd continues to operate. Taking seriously any hint of processing difficulty, management has postponed a ceremony that had been scheduled for May 24 to dedicate the new capacity. Expecting that engineers can resolve the current situation, we project continuing distribution increases through the period of our next twelve months estimates. COSWF stock price matches our estimated net present value (NPV) of US\$27 presuming a long-term oil price of \$50 a barrel. Our past sensitivity estimates indicated net present value of US\$35 at \$60 a barrel. Six-year futures are currently \$71 and the 40-week average is \$64.

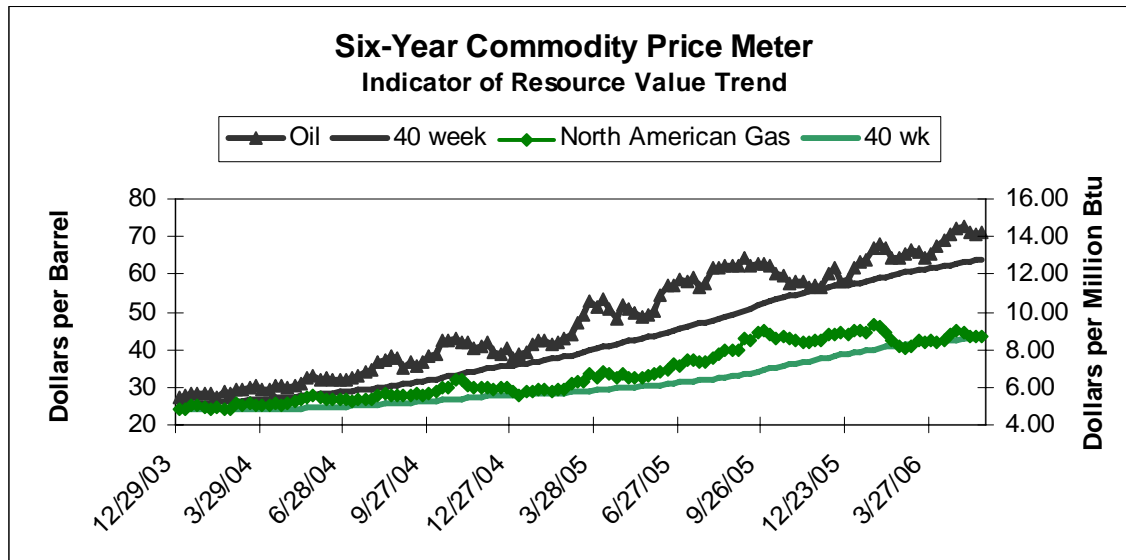
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Canadian Oil Sands Trust
Next Twelve Months Operating and Financial Estimates
 (Canadian Dollars)

	Q2	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Next Twelve Months
	6/30/05	2005	3/31/06	6/30/06	9/30/06	12/31/06	2006E	3/31/07	3/31/07
Volume									
Syncrude (mmb)	21.2	78.1	18.0	24.0	29.0	29.0	100.0	27.0	109.0
Syncrude (mbd)	233	214	200	264	315	315	274	300	299
Days	91	365	90	91	92	92	365	90	365
Trust share (%)	34.1	35.5	37.4	35.5	35.5	35.5	35.8	35.5	35.5
Trust Oil (mmb)	7.24	27.7	6.74	8.53	10.29	10.29	35.8	9.58	38.7
Trust Oil (mbd)	79.5	76.0	74.9	93.8	111.8	111.8	98.2	106.5	106.0
Price									
WTI Cushing (US\$/bbl)	53.05	56.31	63.33	67.74	64.17	65.11	65.09	65.59	65.65
Currency (US\$/C\$)	0.80	0.83	0.87	0.89	0.89	0.89	0.88	0.89	0.89
WTI Cushing (C\$/bbl)	65.99	68.15	72.79	76.24	72.21	73.27	73.63	73.81	73.88
Differential	3.00	3.36	(2.33)	-	-	-	(0.48)	-	(0.11)
Trust Oil Price (C\$/bbl)	68.99	71.51	70.46	76.24	72.21	73.27	73.14	73.81	73.78
Henry Hub Nat Gas (US\$/mmbt)	6.76	8.65	8.97	6.83	6.60	8.81	7.80	10.88	8.28
Henry Hub Nat Gas (C\$/mmbtu)	8.40	10.47	10.31	7.68	7.42	9.91	8.83	12.25	9.32
AECO Natural Gas (C\$/GJ)	6.94	8.11	7.42	5.95	5.75	7.68	6.70	9.49	7.22
Revenue (\$mm)									
Oil	499	1,984	475	650	743	754	2,622	707	2,854
Transportation & Marketing	(12)	(40)	(9)	(12)	(14)	(14)	(50)	(13)	(54)
Other	0	1	(0)	(0)	(0)	(0)	(1)		(0)
Total	487	1,944	466	638	729	739	2,572	694	2,799
Expense									
Production	113	534	215	137	165	165	681	192	657
Purchased Energy	41	197	56	43	50	67	216	77	238
Crown Royalties	5	19	5	90	103	102	300	81	376
Insurance	2	9	2	2	2	2	8	2	8
Administration	3	12	5	5	5	5	20	4	19
Taxes and Other	1	8	2	2	2	2	8	2	8
Total	166	779	285	278	327	343	1,233	358	1,306
Ebitda	322	1,165	181	360	401	397	1,339	336	1,493
Deprec., Deplet., & Amort.	47	198	50	85	103	103	341	96	387
Oil Hedging									
Currency Hedging	(5)	(23)	(7)	(8)	(8)	(8)	(32)	(8)	(34)
Non-Production	21	85	25	25	25	25	100	25	100
Exchange on U.S. Debt	15	(37)	2				2		-
Future Income Tax	(1)	1	(5)				(5)		-
Ebit	244	941	116	258	282	277	933	223	1,040
Interest	27	104	25	25	25	25	100	23	98
Net Income (\$mm)	218	838	91	233	257	252	833	200	942
Per Unit (\$)	0.48	1.80	0.20	0.50	0.55	0.54	1.80	0.43	2.03
Units (millions)	459.0	464.2	463.0	463.3	463.6	463.9	463.7	464.2	463.7
Cash Flow (\$mm)	279	1,000	704	318	360	355	1,171	296	1,329
Per Unit (\$)	3.09	2.15	1.52	0.69	0.78	0.77	2.53	0.64	2.87
Ratios									
Production (\$/bbl)	15.62	19.24	31.93	16.00	16.00	16.00	19.00	20.00	16.99
Purchased Energy (\$/bbl)	5.73	7.10	8.25	5.06	4.89	6.53	6.03	8.06	6.15
Prod&Purch En (\$/bbl)	21.35	26.34	40.19	21.06	20.89	22.53	25.03	28.06	23.14
Crown Royalties & Taxes	1%	1%	1%	14%	14%	14%	11%	11%	13%
Other Expense (\$/bbl)	0.14	0.29	0.30	0.23	0.19	0.19	0.22	0.23	0.21
Ebitda Margin	66%	60%	39%	56%	55%	54%	52%	48%	53%
Deprec., D.& A (\$/bbl)	6.45	7.15	7.41	10.00	10.00	10.00	9.51	10.00	10.00
Distribution	0.10	0.60	0.30	0.30	0.40	0.50	1.50	0.60	1.80

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