

Rating: Buy
 S&P 500: 1269

Canadian Oil Sands Trust

0.7% Opportunity Loss

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$m)</i>	1,650
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-8
<i>Price (US\$/un)</i>	29.66	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/25/06	<i>Adjusted Reserves/Production NTM</i>	26.5
<i>Units (mm)</i>	466	<i>EV/Ebitda</i>	9.4
<i>Market Capitalization (US\$m)</i>	13,820	<i>PV/Ebitda</i>	10.9
<i>Debt (US\$m)</i>	1,700	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$m)</i>	15,510	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	42.41
<i>Present Value (PV) (US\$m)</i>	18,000	<i>Present Value Proven Reserves(US\$/boe)</i>	17.77
<i>Net Present Value (US\$/unit)</i>	35	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.96
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/un)</i>	2.56
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	12
<i>Distribution Yield (%/year)</i>	6.2	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.84

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

Buy-recommended **Canadian Oil Sands Trust (COSWF)** beat our expectations on second quarter cash flow by pennies while management lowered guidance for second half volume by 10% to reflect further delay in the startup of a 40% capacity increase. Though the headline seems negative the one-time opportunity loss of perhaps \$0.20 a unit is nearly immaterial and vanishes in daily stock market fluctuations. There seems to be ample cushion in stock price for uncertainty, including volume expectations, with net present value (NPV) 18% above stock price. Moreover NPV presumes a long-term oil price of \$60 a barrel when the current quote for delivery over the next six years is \$73. Projected cash flow for the second quarter of 2007 indicates annual distribution capability of US\$3.50 a unit after allowing for sustaining capital expenditure.

Kurt H. Wulff, CFA

Please see disclosures on the final page.

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

	<i>Q2</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>6/30/05</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>6/30/07</i>
Volume									
Syncrude (mmb)	21.2	18.0	21.9	24.0	26.0	90.0	27.0	31.9	108.9
Syncrude (mbd)	233	200	241	261	283	246	300	350	298
Days	91	90	91	92	92	365	90	91	365
Trust share (%)	34.1	37.4	35.8	33.8	35.5	35.5	35.5	35.5	35.1
Trust Oil (mmb)	7.24	6.74	7.86	8.10	9.23	31.9	9.58	11.30	38.2
Trust Oil (mbd)	79.5	74.9	86.4	88.1	100.3	87.5	106.5	124.2	104.7
Price									
WTI Cushing (US\$/bbl)	53.05	63.33	70.47	74.90	76.58	71.32	77.63	77.80	76.73
Currency (US\$/C\$)	0.80	0.87	0.88	0.88	0.88	0.87	0.88	0.88	0.88
WTI Cushing (C\$/bbl)	65.99	72.79	80.42	85.48	87.40	81.53	88.60	88.79	87.57
Differential	3.00	(2.33)	(0.66)	-	-	(0.07)	-	-	0.14
Trust Oil Price (C\$/bbl)	68.99	70.46	79.76	85.48	87.40	81.46	88.60	88.79	87.71
Henry Hub Nat Gas (US\$/mmbt)	6.76	8.97	6.81	6.41	8.47	7.67	10.62	8.48	8.50
Henry Hub Nat Gas (C\$/mmbtu)	8.40	10.31	7.77	7.31	9.67	8.76	12.12	9.68	9.70
AECO Natural Gas (C\$/GJ)	6.94	7.42	5.72	5.38	7.12	6.41	8.92	7.08	7.12
Revenue (\$mm)									
Oil	499	475	627	693	807	2,601	849	1,004	3,352
Transportation & Marketing	(12)	(9)	(11)	(12)	(14)	(46)	(15)	(18)	(59)
Other	0	(0)	(0)	(0)	(0)	(0)	-	-	(0)
Total	487	466	616	680	792	2,555	834	986	3,293
Expense									
Production	113	215	174	130	148	666	192	181	650
Purchased Energy	41	56	50	48	72	226	73	68	261
Crown Royalties	5	5	29	87	104	225	119	161	471
Insurance	2	2	2	2	2	8	2	2	8
Administration	3	5	4	4	4	17	4	4	16
Taxes and Other	1	2	(2)	(2)	(2)	(4)	2	2	1
Total	166	285	257	269	328	1,139	391	417	1,405
Ebitda									
Deprec., Deplet., & Amort.	47	50	60	81	92	283	96	113	382
Oil Hedging									
Currency Hedging	(5)	(7)	(8)	(8)	(8)	(31)	(8)	(8)	(32)
Non-Production	21	25	20	20	20	85	20	20	80
Exchange on U.S. Debt	15	2	(46)			(44)			-
Future Income Tax	(1)	(5)	(29)			(34)			-
Ebit									
Interest	27	25	25	25	25	100	23	23	96
Net Income (\$mm)									
Per Unit (\$)	0.48	0.91	0.72	0.63	0.72	2.27	0.67	0.90	2.92
Units (millions)									
	459.0	463.0	465.0	465.3	465.6	466.2	465.9	466.2	465.8
Cash Flow (\$mm)									
Per Unit (\$)	0.62	1.52	0.70	0.81	0.92	2.71	0.88	1.14	3.74
Ratios									
Production (\$/bbl)	15.62	31.93	22.10	16.00	16.00	20.87	20.00	16.00	17.00
Purchased Energy (\$/bbl)	5.73	8.25	6.40	5.92	7.83	7.08	7.58	6.02	6.83
Prod&Purch En (\$/bbl)	21.35	40.19	28.49	21.92	23.83	27.95	27.58	22.02	23.83
Crown Royalties & Taxes	1%	1%	5%	13%	13%	9%	14%	16%	14%
Other Expense (\$/bbl)	0.14	0.30	(0.25)	(0.25)	(0.22)	(0.13)	0.23	0.20	0.01
Ebitda Margin	66%	39%	58%	61%	59%	55%	53%	58%	57%
Deprec., D,& A (\$/bbl)	6.45	7.41	7.63	10.00	10.00	8.87	10.00	10.00	10.00
Distribution									
	0.10	0.30	0.30	0.40	0.50	1.50	0.60	0.60	2.10

Please see disclosures on the final page.

Disclaimer: This analysis was prepared by Kurt Wulff doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

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.