

Rating: Buy  
S&P 500: 1377

## Canadian Oil Sands Trust Syncrude at 97% of New Capacity

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 9/30/07 (US\$mm)</i>	1,370
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-9
<i>Price (US\$/un)</i>	26.86	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	10/24/06	<i>Adjusted Reserves/Production NTM</i>	24.4
<i>Units (mm)</i>	468	<i>EV/Ebitda</i>	10.3
<i>Market Capitalization (US\$mm)</i>	12,570	<i>PV/Ebitda</i>	13.1
<i>Debt (US\$mm)</i>	1,500	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	14,060	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	32.30
<i>Present Value (PV) (US\$mm)</i>	17,900	<i>Present Value Proven Reserves(US\$/boe)</i>	17.67
<i>Net Present Value (US\$/unit)</i>	35	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.95
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/un)</i>	1.94
<i>McDep Ratio - EV/PV</i>	0.79	<i>Price/Earnings Next Twelve Months</i>	14
<i>Distribution Yield (%/year)</i>	6.9	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.86

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.

Estimated present value presumes a long-term price for oil of US\$60 a barrel and natural gas, \$10 a million btu.

### Summary and Recommendation

Buy-recommended **Canadian Oil Sands Trust (COSWF)** at a McDep Ratio of 0.79 offers unlevered appreciation potential of 27% to estimated present value. Futures investors who price oil at \$66 a barrel for delivery over the next six years and buy-recommended **Royal Dutch Shell (RDS)**'s offer to buy the minority interest in Shell Canada (SHC.TO) seem to validate estimated present value. Analyzing results for the third quarter reported on October 24 we make no changes to our projected cash flow and distributions compared to latest weekly updates in *Meter Reader* and *Royalty Trusts*. Yet management raises its estimate of fourth quarter volume above our number apparently reflecting renewed confidence after the Syncrude oil sands upgrader operated at 97% of newly expanded capacity for the month of September. With growing volume, we project a doubling of the current C\$0.30 per quarter rate of cash distribution over the next three quarters (see table on page 2). Stock price below the 200-day average confirms that COSWF is currently out of favor with investors. On the contrary, we favor COSWF stock at a double weighting in the illustrative McDep Energy Portfolio concentrated on real assets that promise a high return providing clean energy to support global growth.

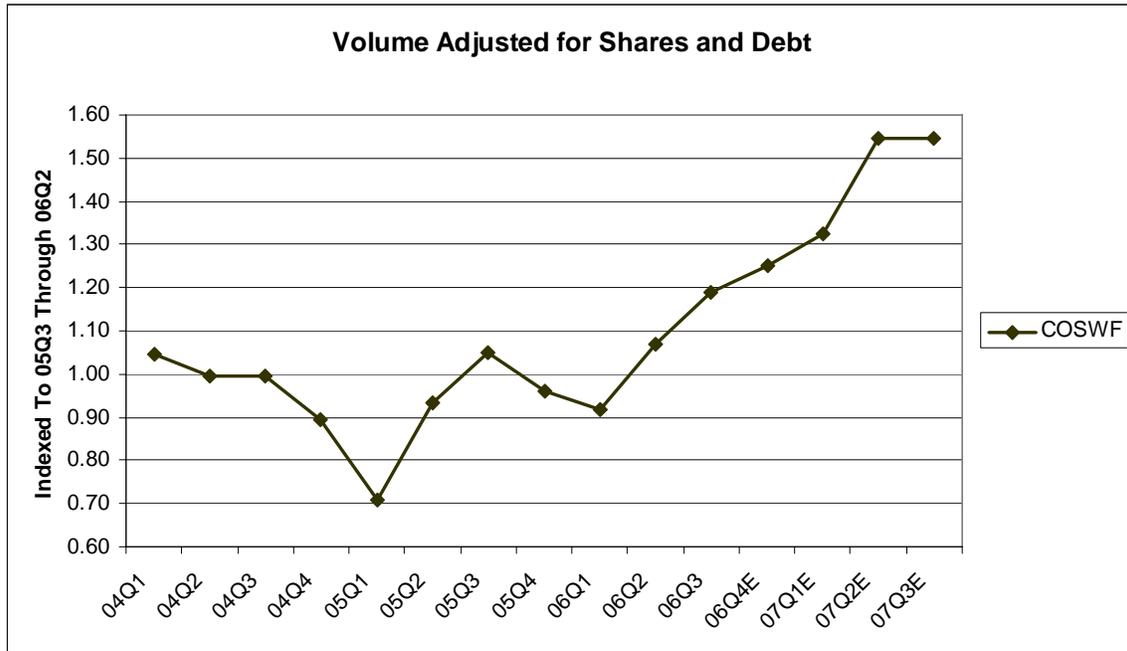
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**Canadian Oil Sands Trust**  
**Next Twelve Months Operating and Financial Estimates**  
(Canadian Dollars)

	Q3	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/05	6/30/06	9/30/06	12/31/06	2006E	3/31/07	6/30/07	9/30/07	9/30/07
<b>Volume</b>									
Syncrude (mmb)	21.9	21.9	26.0	26.0	<b>92.0</b>	27.0	31.9	32.2	<b>117.1</b>
Syncrude (mbd)	238	241	283	283	<b>252</b>	300	350	350	<b>321</b>
Days	92	91	92	92	<b>365</b>	90	91	92	<b>365</b>
Trust share (%)	36.1	35.8	33.7	35.5	<b>35.5</b>	35.5	35.5	35.5	<b>35.5</b>
Trust Oil (mmb)	7.91	7.86	8.78	9.23	<b>32.6</b>	9.58	11.30	11.43	<b>41.5</b>
Trust Oil (mbd)	85.9	86.4	95.4	100.3	<b>89.4</b>	106.5	124.2	124.2	<b>113.8</b>
<b>Price</b>									
WTI Cushing (US\$/bbl)	62.52	70.47	70.42	58.64	<b>65.71</b>	61.56	63.85	65.29	<b>62.34</b>
Currency (US\$/C\$)	0.83	0.89	0.89	0.89	<b>0.88</b>	0.89	0.89	0.89	<b>0.89</b>
WTI Cushing (C\$/bbl)	75.14	79.00	79.12	66.10	<b>74.25</b>	69.39	71.98	73.60	<b>70.27</b>
Differential	2.92	0.76	0.04	-	<b>(0.44)</b>	-	-	-	<b>0.25</b>
Trust Oil Price (C\$/bbl)	78.06	79.76	79.17	66.10	<b>73.81</b>	69.39	71.98	73.60	<b>70.52</b>
Henry Hub Nat Gas (US\$/mmt)	8.56	6.81	6.58	6.30	<b>7.17</b>	8.19	7.61	7.81	<b>7.48</b>
Henry Hub Nat Gas (C\$/mmbtu)	10.29	7.63	7.40	7.10	<b>8.10</b>	9.24	8.57	8.80	<b>8.43</b>
AECO Natural Gas (C\$/GJ)	8.31	5.72	5.42	5.21	<b>5.94</b>	6.77	6.29	6.46	<b>6.18</b>
<b>Revenue (\$mm)</b>									
Oil	617	627	695	610	<b>2,407</b>	665	814	841	<b>2,930</b>
Transportation & Marketing	(11)	(11)	(9)	(8)	<b>(37)</b>	(9)	(11)	(11)	<b>(38)</b>
Other	(0)	(0)	9		<b>9</b>		-	-	<b>-</b>
Total	606	616	695	602	<b>2,379</b>	656	803	830	<b>2,892</b>
<b>Expense</b>									
Production	138	174	133	148	<b>669</b>	192	181	183	<b>703</b>
Purchased Energy	49	50	40	53	<b>199</b>	55	60	81	<b>250</b>
Crown Royalties	6	29	115	64	<b>213</b>	81	119	105	<b>369</b>
Insurance	2	2	1	1	<b>6</b>	2	2	2	<b>7</b>
Administration	2	4	3	3	<b>15</b>	4	4	4	<b>14</b>
Taxes and Other	2	(2)	(1)	(1)	<b>(2)</b>	2	2	2	<b>6</b>
Total	198	257	291	267	<b>1,100</b>	336	368	377	<b>1,348</b>
<b>Ebitda</b>									
Deprec., Deplet., & Amort.	48	60	70	92	<b>272</b>	96	113	114	<b>415</b>
Oil Hedging									
Currency Hedging	(6)	(8)	(3)	(8)	<b>(26)</b>	(8)	(8)	(8)	<b>(34)</b>
Non-Production	20	20	11	11	<b>67</b>	11	11	11	<b>44</b>
Exchange on U.S. Debt	(61)	(46)	(1)		<b>(45)</b>				<b>-</b>
Future Income Tax	(8)	(29)	13		<b>(21)</b>				<b>-</b>
<b>Ebit</b>	414	362	314	240	<b>1,032</b>	222	319	336	<b>1,118</b>
Interest	26	25	24	24	<b>98</b>	23	23	23	<b>93</b>
<b>Net Income (\$mm)</b>									
Per Unit (\$)	0.83	0.72	0.60	0.46	<b>1.98</b>	0.43	0.63	0.67	<b>2.19</b>
<b>Units (millions)</b>									
460.0	465.0	467.0	467.3	<b>472.1</b>	467.6	467.9	468.2	<b>467.8</b>	
<b>Cash Flow (\$mm)</b>									
Per Unit (\$)	0.79	0.70	0.77	0.66	<b>2.41</b>	0.63	0.87	0.91	<b>3.08</b>
<b>Ratios</b>									
Production (\$/bbl)	17.45	22.10	15.09	16.00	<b>20.52</b>	20.00	16.00	16.00	<b>16.92</b>
Purchased Energy (\$/bbl)	6.16	6.40	4.61	5.73	<b>6.11</b>	5.75	5.35	7.10	<b>6.01</b>
Prod&Purch En (\$/bbl)	23.61	28.49	19.70	21.73	<b>26.63</b>	25.75	21.35	23.10	<b>22.93</b>
Crown Royalties & Taxes	1%	5%	17%	10%	<b>9%</b>	12%	15%	12%	<b>13%</b>
Other Expense (\$/bbl)	0.22	(0.25)	(0.11)	(0.11)	<b>(0.06)</b>	0.23	0.20	0.20	<b>0.14</b>
Ebitda Margin	67%	58%	58%	56%	<b>54%</b>	49%	54%	55%	<b>53%</b>
Deprec., D,& A (\$/bbl)	6.10	7.63	7.97	10.00	<b>8.35</b>	10.00	10.00	10.00	<b>10.00</b>
<b>Distribution</b>									
0.20	0.30	0.30	0.40	<b>1.30</b>	0.50	0.60	0.60	<b>2.10</b>	

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