

Rating: Buy  
S&P 500: 1410

## Canadian Oil Sands Trust Tax Bomb Opportunity

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 12/31/07 (US\$mm)</i>	1,550
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-9
<i>Price (US\$/un)</i>	26.73	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	12/8/06	<i>Adjusted Reserves/Production NTM</i>	23.0
<i>Units (mm)</i>	479	<i>EV/Ebitda</i>	9.3
<i>Market Capitalization (US\$mm)</i>	12,800	<i>PV/Ebitda</i>	11.9
<i>Debt (US\$mm)</i>	1,680	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	14,480	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	34.46
<i>Present Value (PV) (US\$mm)</i>	18,400	<i>Present Value Proven Reserves(US\$/boe)</i>	18.16
<i>Net Present Value (US\$/unit)</i>	35	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.03
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/un)</i>	2.17
<i>McDep Ratio - EV/PV</i>	0.79	<i>Price/Earnings Next Twelve Months</i>	12
<i>Distribution Yield (%/year)</i>	6.8	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.83

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.

For historical analysis of COS since 2002 see [www.mcdep.com/4cos.htm](http://www.mcdep.com/4cos.htm)

### Summary and Recommendation

Stock price of buy-recommended **Canadian Oil Sands Trust (COSWF)** has lagged stock price for our three Canadian corporate buy recommendations by 7-13% since Halloween when the Canadian government announced its intention to impose a 31% tax on income trusts beginning in 2011. Among Canadian buy recommendations, COSWF also has the lowest McDep Ratio that we measure on a basis that is the same for the trust and the corporations. Nonetheless, investors may need patience as oil the commodity and COSWF the stock both appear to be out of favor judging by the position of current price below the 200-day average. Estimated free cash flow supports our projection of a doubling of the distribution over the next three quarters (see table on page 2). Compared to management's budget disclosed on December 7, we use the same costs, some of which are temporarily high. We take our oil price projection from the futures market and our volume projection is at the high end of management's guidance. Canadian Oil Sands Trust remains our top oil recommendation with its highest concentration on crude oil production and its double weighting in the illustrative McDep Energy Portfolio concentrated on real assets promising a high return providing clean energy for global growth.

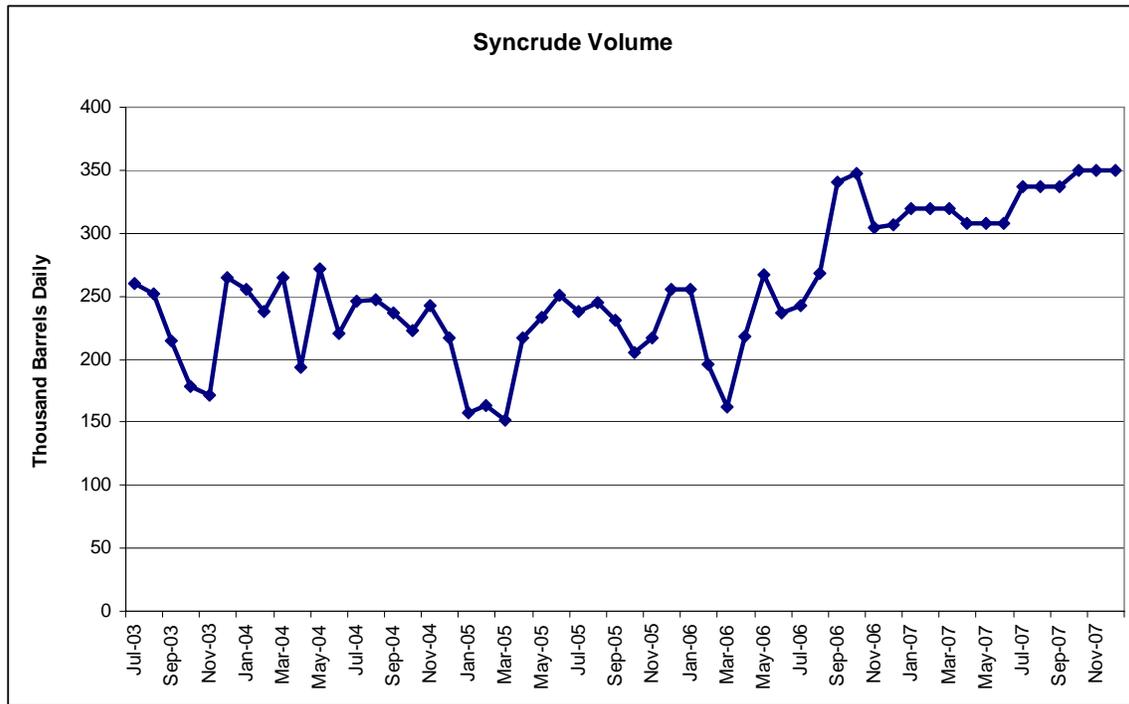
Kurt H. Wulff, CFA

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

	<i>Q4</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/05</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>9/30/07</i>	<i>12/31/07</i>	<i>12/31/07</i>
<b>Volume</b>									
Syncrude (mmb)	20.8	26.0	29.4	<b>95.4</b>	28.8	28.0	31.0	32.2	<b>120.0</b>
Syncrude (mbd)	226	283	320	<b>261</b>	320	308	337	350	<b>329</b>
Days	92	92	92	<b>365</b>	90	91	92	92	<b>365</b>
Trust share (%)	34.7	33.7	35.5	<b>35.5</b>	36.7	36.7	36.7	36.7	<b>36.7</b>
Trust Oil (mmb)	7.21	8.78	10.45	<b>33.8</b>	10.58	10.30	11.39	11.83	<b>44.1</b>
Trust Oil (mbd)	78.3	95.4	113.6	<b>92.7</b>	117.6	113.2	123.8	128.6	<b>120.8</b>
<b>Price</b>									
WTI Cushing (US\$/bbl)	60.02	70.42	60.21	<b>66.11</b>	63.87	66.62	68.09	69.04	<b>66.90</b>
Currency (US\$/C\$)	0.85	0.89	0.87	<b>0.88</b>	0.87	0.87	0.87	0.87	<b>0.87</b>
WTI Cushing (C\$/bbl)	70.61	79.12	69.20	<b>75.03</b>	73.41	76.56	78.26	79.34	<b>76.89</b>
Differential	1.71	0.04	-	<b>(0.54)</b>	-	-	-	-	<b>0.10</b>
Trust Oil Price (C\$/bbl)	72.32	79.17	69.20	<b>74.49</b>	73.41	76.56	78.26	79.34	<b>76.99</b>
Henry Hub Nat Gas (US\$/mmbt)	13.00	6.58	6.57	<b>7.23</b>	7.83	7.67	7.88	8.53	<b>7.98</b>
Henry Hub Nat Gas (C\$/mmbtu)	15.30	7.40	7.55	<b>8.21</b>	9.00	8.82	9.06	9.80	<b>9.17</b>
AECO Natural Gas (C\$/GJ)	10.73	5.42	5.53	<b>6.02</b>	7.50	7.50	7.50	7.50	<b>7.50</b>
<b>Revenue (\$mm)</b>									
Oil	521	695	723	<b>2,520</b>	777	788	891	939	<b>3,395</b>
Transportation & Marketing	(9)	(9)	(9)	<b>(38)</b>	(4)	(4)	(4)	(5)	<b>(17)</b>
Other	0	9		<b>9</b>	-	-	-	-	<b>-</b>
Total	513	695	714	<b>2,491</b>	773	785	887	934	<b>3,379</b>
<b>Expense</b>									
Production	113	133	167	<b>689</b>	189	189	189	189	<b>756</b>
Purchased Energy	71	40	64	<b>210</b>	75	73	80	83	<b>311</b>
Crown Royalties	5	115	84	<b>233</b>	107	110	134	145	<b>496</b>
Insurance	3	1	1	<b>6</b>	2	2	2	2	<b>8</b>
Administration	5	3	3	<b>15</b>	4	4	4	4	<b>15</b>
Taxes and Other	3	(1)	(1)	<b>(2)</b>	3	3	3	3	<b>11</b>
Total	200	291	318	<b>1,151</b>	379	380	412	426	<b>1,597</b>
<b>Ebitda</b>									
Deprec., Deplet., & Amort.	72	70	104	<b>284</b>	106	103	114	118	<b>441</b>
Oil Hedging									
Currency Hedging	(7)	(3)	(8)	<b>(26)</b>	(6)	(6)	(6)	(6)	<b>(24)</b>
Non-Production	32	11	11	<b>67</b>	19	19	19	19	<b>74</b>
Exchange on U.S. Debt	4	(1)		<b>(45)</b>					<b>-</b>
Future Income Tax	14	13		<b>(21)</b>					<b>-</b>
<b>Ebit</b>	198	314	288	<b>1,080</b>	276	289	349	378	<b>1,291</b>
Interest	25	24	24	<b>98</b>	24	24	24	24	<b>96</b>
<b>Net Income (\$mm)</b>									
Per Unit (\$)	0.37	0.60	0.57	<b>2.08</b>	0.53	0.55	0.68	0.74	<b>2.49</b>
<b>Units (millions)</b>									
	461.5	467.0	467.3	<b>471.9</b>	479.0	479.0	479.0	479.0	<b>479.0</b>
<b>Cash Flow (\$mm)</b>									
Per Unit (\$)	0.57	0.77	0.79	<b>2.54</b>	0.73	0.76	0.90	0.97	<b>3.42</b>
Capital Expend (C\$/unit)					0.13	0.13	0.13	0.13	<b>0.53</b>
Free Cash Flow (C\$/unit)					0.60	0.62	0.77	0.84	<b>2.83</b>
<b>Ratios</b>									
Production (\$/bbl)	15.64	15.09	16.00	<b>20.36</b>	17.86	18.35	16.59	15.98	<b>17.14</b>
Purchased Energy (\$/bbl)	9.89	4.61	6.08	<b>6.21</b>	7.05	7.05	7.05	7.05	<b>7.05</b>
Prod&Purch En (\$/bbl)	25.54	19.70	22.08	<b>26.56</b>	24.91	25.40	23.64	23.03	<b>24.19</b>
Crown Royalties & Taxes	1%	17%	12%	<b>9%</b>	14%	14%	15%	15%	<b>15%</b>
Other Expense (\$/bbl)	0.42	(0.11)	(0.10)	<b>(0.06)</b>	0.26	0.27	0.24	0.23	<b>0.25</b>
Ebitda Margin	61%	58%	55%	<b>54%</b>	51%	52%	54%	54%	<b>53%</b>
Deprec., D,& A (\$/bbl)	9.99	7.97	10.00	<b>8.41</b>	10.00	10.00	10.00	10.00	<b>10.00</b>
<b>Distribution</b>									
	0.20	0.30	0.30	<b>1.20</b>	0.40	0.50	0.60	0.60	<b>2.10</b>

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