



Independent Stock Idea

July 29, 2008

rating: buy
s&p 500: 1263

Canadian Oil Sands Trust (COSWF) Distribution Increased 25%

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 6/30/09 (US\$mm)</i>	3,130
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-6
<i>Price (US\$/un)</i>	47.92	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/29/08	<i>Adjusted Reserves/Production NTM</i>	22.3
<i>Units (mm)</i>	480	<i>EV/Ebitda</i>	7.7
<i>Market Capitalization (US\$mm)</i>	23,000	<i>PV/Ebitda</i>	9.1
<i>Debt (US\$mm)</i>	1,200	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	24,200	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	69.41
<i>Present Value (PV) (US\$mm)</i>	28,600	<i>Present Value Proven Reserves(US\$/boe)</i>	33.49
<i>Net Present Value (US\$/unit)</i>	57	<i>Present Value Proven Reserves(US\$/mcf)</i>	5.58
<i>Debt/Present Value</i>	0.04	<i>Earnings Next Twelve Months (US\$/un)</i>	5.42
<i>McDep Ratio - EV/PV</i>	0.85	<i>Price/Earnings Next Twelve Months</i>	9
<i>Distribution Yield (%/year)</i>	12.1	<i>Distribution Next Twelve Months (US\$/sh)</i>	5.81
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$14 a million btu.			
For historical analysis of COS since 2002 see www.mcdep.com/4cos.htm			

Summary and Recommendation

Buy-recommended **Canadian Oil Sands Trust (COSWF)** offers unlevered appreciation potential of 18% to estimated net present value (NPV) of \$57 a share. Released today, second quarter results included free cash flow of C\$1.10 a unit, an amount that exceeded the quarterly distribution of C\$1.00 declared in April. Looking ahead to higher oil production volume, management declared a quarterly distribution of C\$1.25 a unit for the current quarter. After that, our latest projections support a future increase to C\$1.50 (see table [Next Twelve Months Operating and Financial Estimates](#)). Monthly production reached capacity levels in June (see chart [Syn crude](#)). Subject to occasional operating challenge, production may be sustained indefinitely. Meanwhile, long-term crude oil price continues in an uptrend where the latest quote of \$121 a barrel for delivery over the next six years is above the 40-week average of \$103 (see chart [Six-Year Commodity Price Meter](#)). The recent pullback in crude oil price and in stock price may whet the appetite of strategic acquirers confident of the future and looking for timing opportunity. There are few energy assets offering higher investment quality than the trust's sole possession, its 37% of the world's largest oil sands mining and upgrading operation.

Kurt H. Wulff, CFA



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Canadian Oil Sands Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
									Next
									Twelve
	Q2	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	Months
	6/30/07	3/31/08	6/30/08	9/30/08	12/31/08	2008E	3/31/09	6/30/09	6/30/09
Volume									
Syncrude (mmb)	23.9	24.4	23.8	26.7	30.4	105.2	31.5	31.9	120.4
Syncrude (mbd)	263	268	261	290	330	287	350	350	330
Days	91	91	91	92	92	366	90	91	365
Trust share (%)	37.6	37.0	37.4	36.7	36.7	36.9	36.7	36.7	36.7
Trust Oil (mmb)	8.98	9.03	8.89	9.80	11.15	38.9	11.57	11.70	44.2
Trust Oil (mbd)	98.7	99.2	97.7	106.5	121.2	106.2	128.6	128.6	121.2
Price									
WTI Cushing (US\$/bbl)	64.91	97.94	123.97	127.56	125.71	118.80	126.45	125.26	126.25
Currency (US\$/C\$)	0.91	1.00	0.99	0.98	0.98	0.98	0.98	0.98	0.98
WTI Cushing (C\$/bbl)	71.25	98.40	125.23	130.60	128.71	120.73	129.47	128.24	129.26
Differential	5.16	1.91	6.09	1.00	1.00	3.00	1.00	1.00	0.95
Trust Oil Price (C\$/bbl)	76.41	100.31	131.32	131.60	129.71	123.73	130.47	129.24	130.21
Henry Hub Nat Gas (US\$/mmBtu)	7.56	8.02	10.93	10.49	9.66	9.78	10.19	9.38	9.93
Henry Hub Nat Gas (C\$/mmBtu)	8.29	8.05	11.04	10.74	9.89	9.93	10.43	9.61	10.17
AECO Natural Gas (C\$/GJ)	6.78	7.30	9.38	9.12	8.40	8.55	8.98	8.27	8.69
Revenue (\$mm)									
Oil	686	905	1,168	1,290	1,447	4,810	1,510	1,512	5,759
Transportation & Marketing	9	10	8			18			-
Other	(9)	(12)	(16)			(28)			-
Total	686	907	1,176	1,290	1,447	4,820	1,510	1,512	5,759
Expense									
Production	215	253	296	296	296	1,140	296	296	1,183
Purchased Energy	56	71	77	83	87	319	97	90	357
Crown Royalties	89	131	178	206	244	760	256	259	966
Insurance	1	2	1	1	1	5	2	2	6
Administration	6	4	9	9	9	31	5	5	28
Taxes and Other	-	-	-	3	3	6	3	3	12
Total	367	461	561	598	640	2,260	659	654	2,551
Ebitda	319	446	615	692	806	2,559	851	858	3,208
Deprec., Deplet., & Amort.	77	102	102	102	102	408	102	102	408
Currency Hedging	(4)	(1)	(1)			(2)			
Non-Production	15	17	16	16	16	65	22	22	76
Exchange on U.S. Debt	(63)	26	(5)			21			-
Future Income Tax	665	(14)	(10)			(24)			-
Ebit	(371)	316	513	574	688	2,091	727	734	2,724
Interest	23	17	16	16	16	65	13	13	58
Net Income (\$mm)	(394)	299	497	558	672	2,026	714	721	2,666
Per Unit (\$)	(0.82)	0.62	1.04	1.16	1.40	4.22	1.49	1.51	5.55
Units (millions)	479	479	481	481	481	480	479	479	480
Funds from Operations (\$mm)	281	412	583	660	774	2,431	816	823	3,074
Per Unit (\$)	0.59	0.86	1.21	1.37	1.61	5.06	1.70	1.72	6.40
Maintenance Cap Ex (C\$/unit)	0.02	0.11	0.11	0.11	0.11	0.45	0.11	0.11	0.45
Free Cash Flow (C\$/unit)	0.57	0.75	1.10	1.26	1.50	4.61	1.59	1.61	5.96
Ratios									
Production (\$/bbl)	23.92	28.04	33.24	30.16	26.51	29.33	25.55	25.27	26.74
Purchased Energy (\$/bbl)	6.25	7.86	8.69	8.48	7.81	8.19	8.35	7.69	8.07
Prod&Purch En (\$/bbl)	30.17	35.90	41.94	38.65	34.32	37.52	33.90	32.96	34.81
Crown Royalties & Taxes	13%	14%	15%	16%	17%	16%	17%	17%	17%
Other Expense (\$/bbl)	-	-	-	0.31	0.27	0.15	0.26	0.26	0.27
Ebitda Margin	47%	49%	52%	54%	56%	53%	56%	57%	56%
Deprec., D,& A (\$/bbl)	8.57	11.30	11.47	10.41	9.14	10.49	8.81	8.72	9.22
Distribution	0.40	0.75	1.00	1.25	1.50	4.50	1.59	1.61	5.95

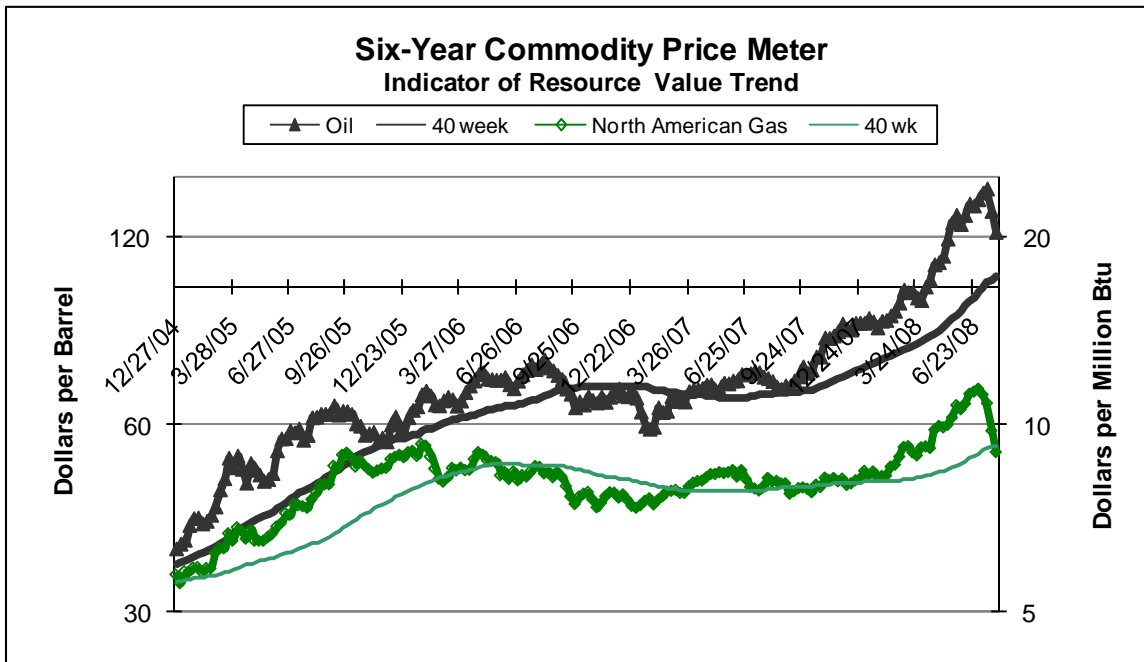
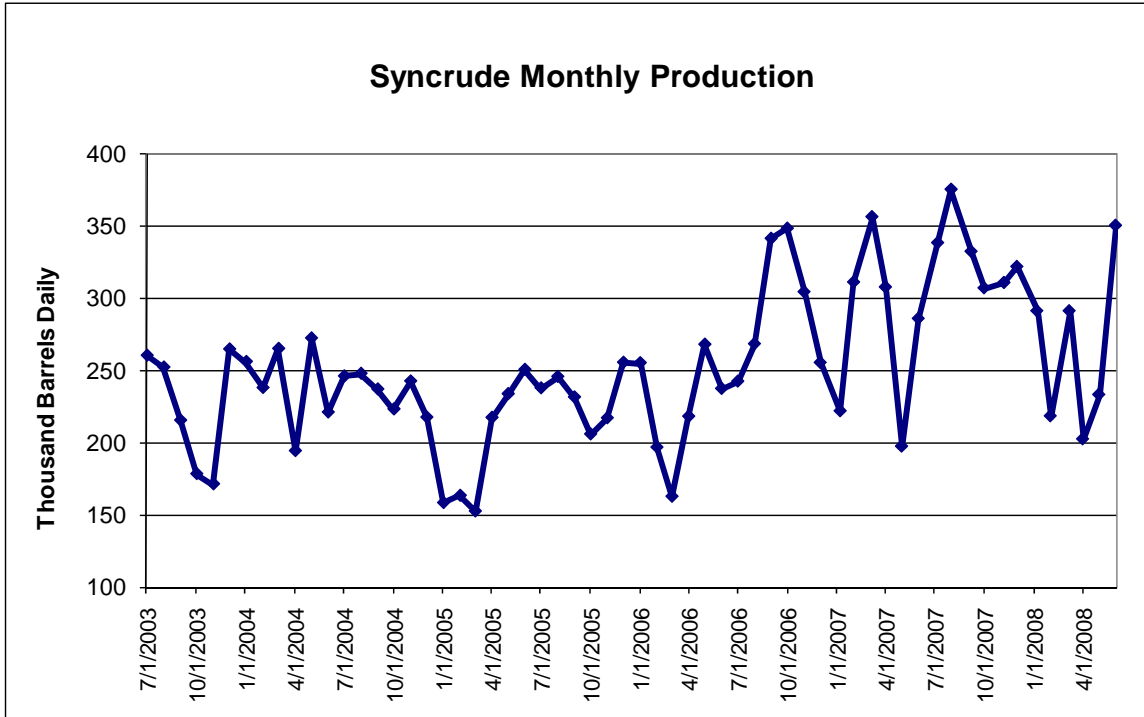
Please see disclosures on the final page.

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