



Independent Stock Idea

October 29, 2008

rating: buy
s&p 500: 930

Canadian Oil Sands Trust (COSWF) Quarterly Distribution C\$0.75 a Unit

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 9/30/09 (US\$mm)</i>	1,480
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-8
<i>Price (US\$/un)</i>	24.78	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	10/29/08	<i>Adjusted Reserves/Production NTM</i>	21.6
<i>Units (mm)</i>	482	<i>EV/Ebitda</i>	8.7
<i>Market Capitalization (US\$mm)</i>	11,900	<i>PV/Ebitda</i>	14.3
<i>Debt (US\$mm)</i>	900	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	12,900	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	31.86
<i>Present Value (PV) (US\$mm)</i>	21,200	<i>Present Value Proven Reserves(US\$/boe)</i>	24.82
<i>Net Present Value (US\$/unit)</i>	42	<i>Present Value Proven Reserves(US\$/mcf)</i>	4.14
<i>Debt/Present Value</i>	0.04	<i>Earnings Next Twelve Months (US\$/un)</i>	2.02
<i>McDep Ratio - EV/PV</i>	0.61	<i>Price/Earnings Next Twelve Months</i>	12
<i>Distribution Yield (%/year)</i>	9.9	<i>Distribution Next Twelve Months (US\$/sh)</i>	2.45
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\$75 a barrel and natural gas, \$10 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)** declared today a quarterly distribution of C\$0.75 a unit in line with projected free cash flow at current oil price and down from C\$1.25 a unit three months ago. Implying a distribution yield of 9.9%, the new rate could be supported for the next four quarters by current futures prices (see table Next Twelve Months Operating and Financial Estimates). By our value measure, COSWF stock offers unlevered appreciation potential of 64% to estimated net present value (NPV) of \$42 a share. On October 28 we reset NPV from \$57 a share on the basis of a long-term oil price assumption of \$75 a barrel, down from \$100. Operations have been at capacity during the summer months (see chart Syncrude Monthly Production). No major capital expenditures are required to sustain production at capacity indefinitely. COSWF is well positioned to benefit from stronger oil pricing when global economic growth builds up again. Finally with low debt it is financially strong to weather the turbulent credit climate.

Kurt H. Wulff, CFA



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Canadian Oil Sands Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
									Next Twelve Months
	Q3	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Q3/09
	9/30/07	6/30/08	9/30/08	12/31/08	2008E	3/31/09	6/30/09	9/30/09	9/30/09
Volume									
Syncrude (mmb)	32.1	24.1	29.1	28.7	106.2	31.5	31.9	32.2	124.2
Syncrude (mmbd)	349	265	316	311	290	350	350	350	340
Days	92	91	92	92	366	90	91	92	365
Trust share (%)	35.8	36.9	36.9	36.7	36.9	36.7	36.7	36.7	36.7
Trust Oil (mmb)	11.49	8.89	10.73	10.53	39.2	11.57	11.70	11.83	45.6
Trust Oil (mmbd)	124.9	97.7	116.7	114.4	107.0	128.6	128.6	128.6	125.0
Price									
WTI Cushing (US\$/bbl)	75.48	123.97	117.99	67.52	101.86	64.23	65.80	67.22	66.19
Currency (US\$/C\$)	0.96	0.99	0.96	0.82	0.95	0.82	0.82	0.82	0.82
WTI Cushing (C\$/bbl)	78.95	125.23	122.77	82.83	107.31	78.80	80.73	82.47	81.21
Differential	2.28	6.09	4.78	1.00	3.08	1.00	1.00	1.00	0.97
Trust Oil Price (C\$/bbl)	81.23	131.32	127.55	83.83	110.38	79.80	81.73	83.47	82.18
Henry Hub Nat Gas (US\$/mmbt)	6.16	10.93	10.25	6.65	8.96	6.65	6.67	6.97	6.73
Henry Hub Nat Gas (C\$/mmbt)	6.44	11.04	10.66	8.15	9.44	8.16	8.18	8.55	8.26
AECO Natural Gas (C\$/GJ)	4.99	9.38	7.86	6.96	7.88	7.40	6.95	6.31	6.90
Revenue (\$mm)									
Oil	933	1,168	1,369	883	4,325	924	956	987	3,750
Transportation & Marketing	8	8	9		27				-
Other	(17)	(16)	(19)		(46)				-
Total	942	1,176	1,379	883	4,344	924	956	987	3,750
Expense									
Production	195	296	276	276	1,100	276	276	276	1,102
Purchased Energy	44	77	69	68	286	80	76	69	293
Crown Royalties	165	178	231	112	652	119	128	138	497
Insurance	2	1	2	2	7	2	2	2	8
Administration	4	9	3	3	19	5	5	5	18
Taxes and Other	-	-	-	3	3	3	3	3	12
Total	410	561	581	464	2,067	484	489	493	1,930
Ebitda	532	615	798	419	2,277	439	467	495	1,820
Deprec., Deplet., & Amort.	101	102	121	121	446	121	121	121	484
Currency Hedging	(2)	(1)	(1)		(3)				-
Non-Production	16	16	21	21	75	22	22	22	87
Exchange on U.S. Debt	(42)	(5)	32		53				-
Future Income Tax	69	(10)	6		(18)				-
Ebit	390	513	619	277	1,724	296	324	352	1,249
Interest	21	16	16	16	65	13	13	13	55
Net Income (\$mm)	369	497	603	261	1,659	283	311	339	1,194
Per Unit (\$)	0.75	1.04	1.25	0.54	3.45	0.59	0.64	0.70	2.48
Units (millions)	479	481	482	482	481	482	482	482	482
Funds from Operations (\$mm)	484	583	761	382	2,140	404	432	460	1,678
Per Unit (\$)	1.01	1.21	1.58	0.79	4.45	0.84	0.90	0.95	3.48
Maintenance Cap Ex (C\$/unit)	0.09	0.15	0.15	0.15	0.59	0.15	0.15	0.15	0.60
Free Cash Flow (C\$/unit)	0.92	1.06	1.43	0.64	3.85	0.69	0.75	0.80	2.88
Ratios									
Production (\$/bbl)	16.99	33.24	25.68	26.18	28.07	23.81	23.55	23.29	24.16
Purchased Energy (\$/bbl)	3.81	8.69	6.47	6.48	7.30	6.88	6.46	5.86	6.42
Prod&Purch En (\$/bbl)	20.80	41.94	32.15	32.65	35.37	30.69	30.01	29.16	30.57
Crown Royalties & Taxes	18%	15%	17%	13%	15%	13%	13%	14%	13%
Other Expense (\$/bbl)	-	-	-	0.28	0.08	0.26	0.26	0.25	0.26
Ebitda Margin	56%	52%	58%	47%	52%	48%	49%	50%	49%
Deprec., D,& A (\$/bbl)	8.79	11.47	11.27	11.49	11.38	10.46	10.34	10.23	10.61
Distribution	0.40	1.00	1.25	0.75	3.75	0.75	0.75	0.75	3.00

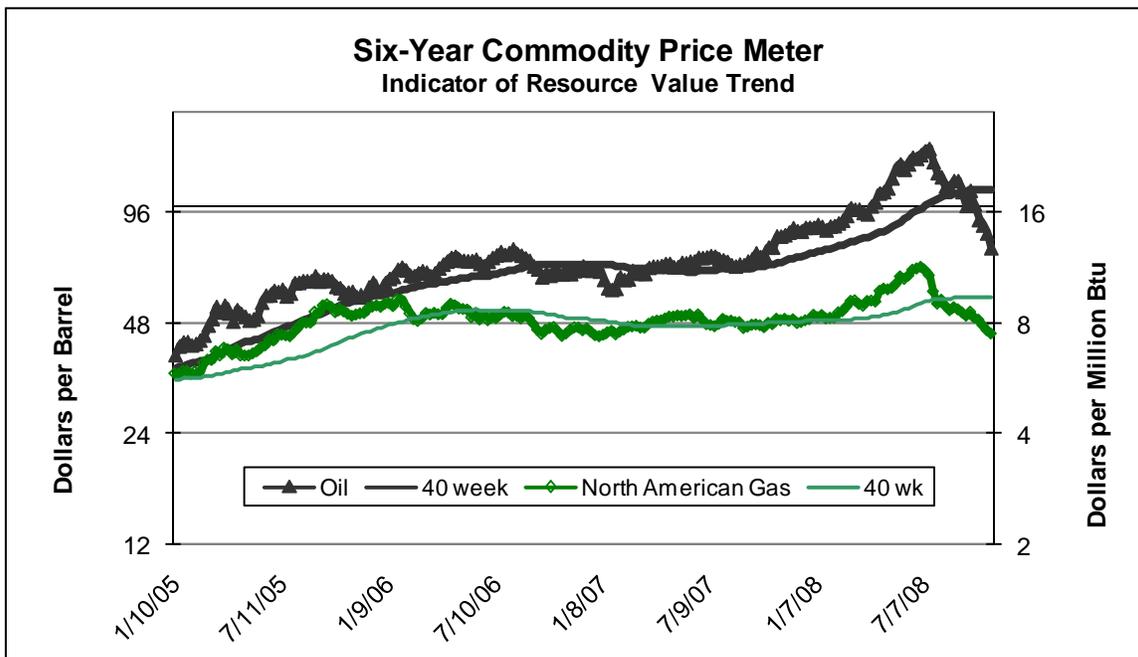
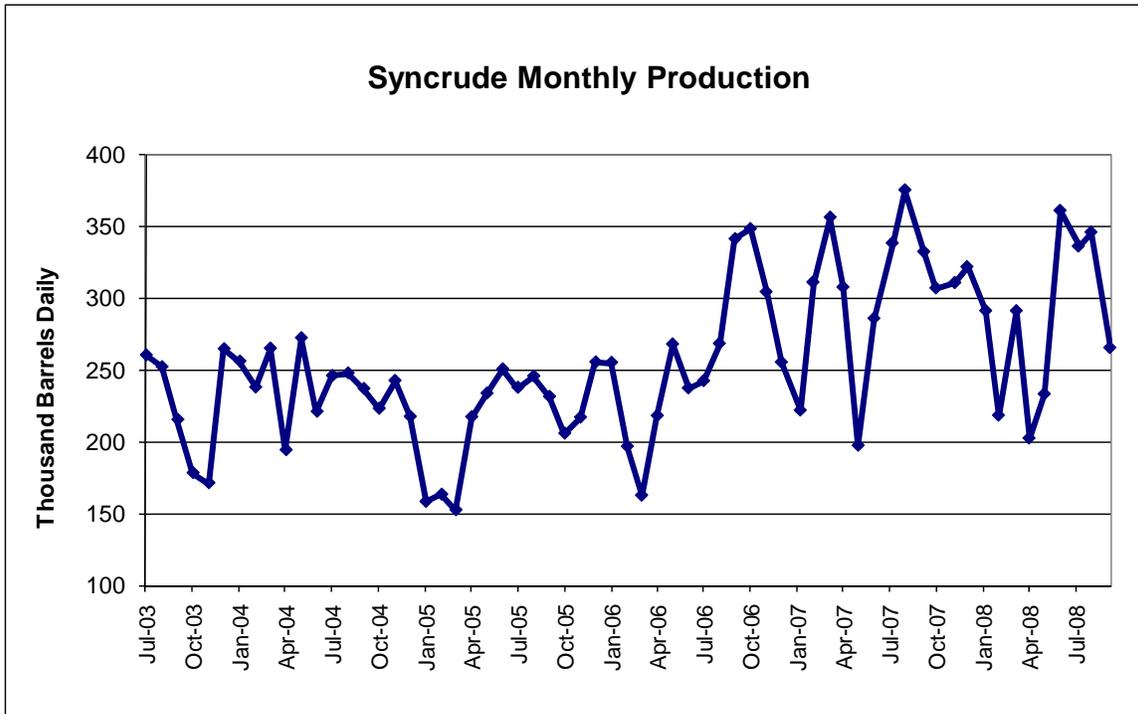
Please see disclosures on the final page.

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