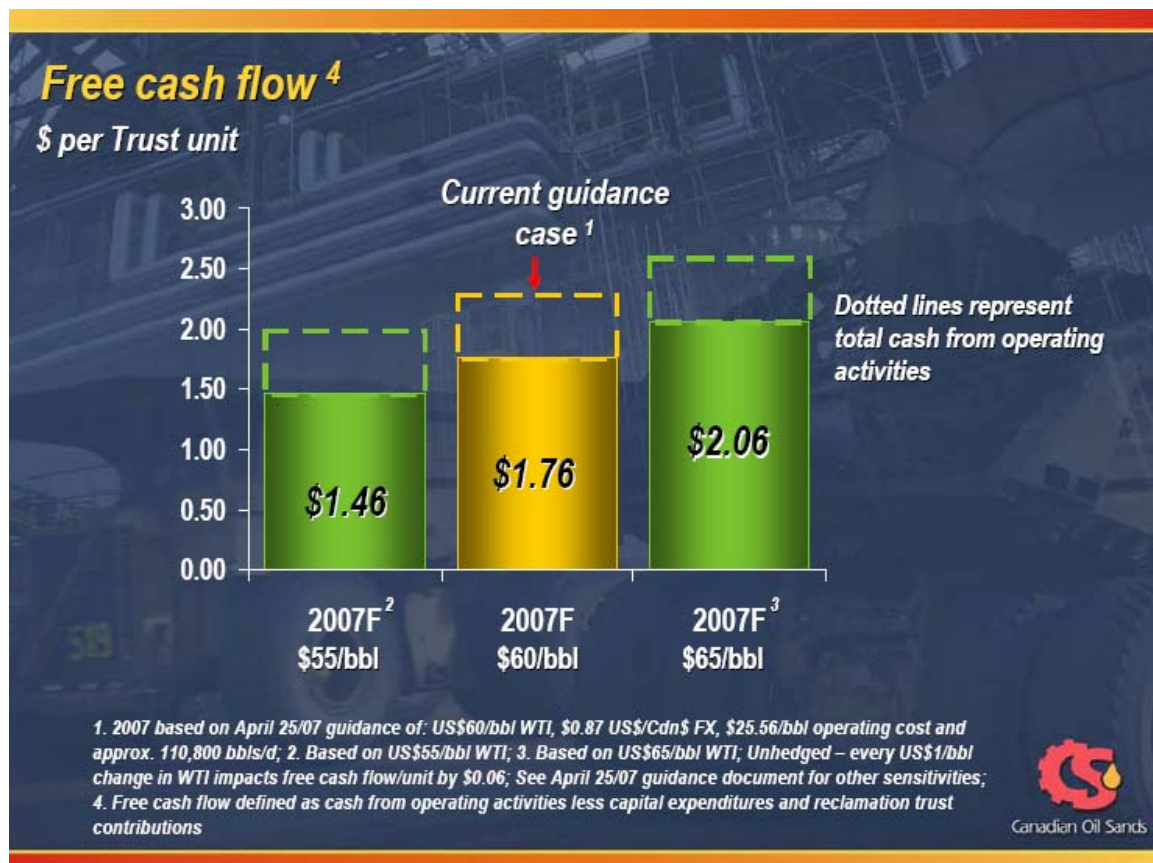


## CAPPitalizing Canadian Oil Sands Trust

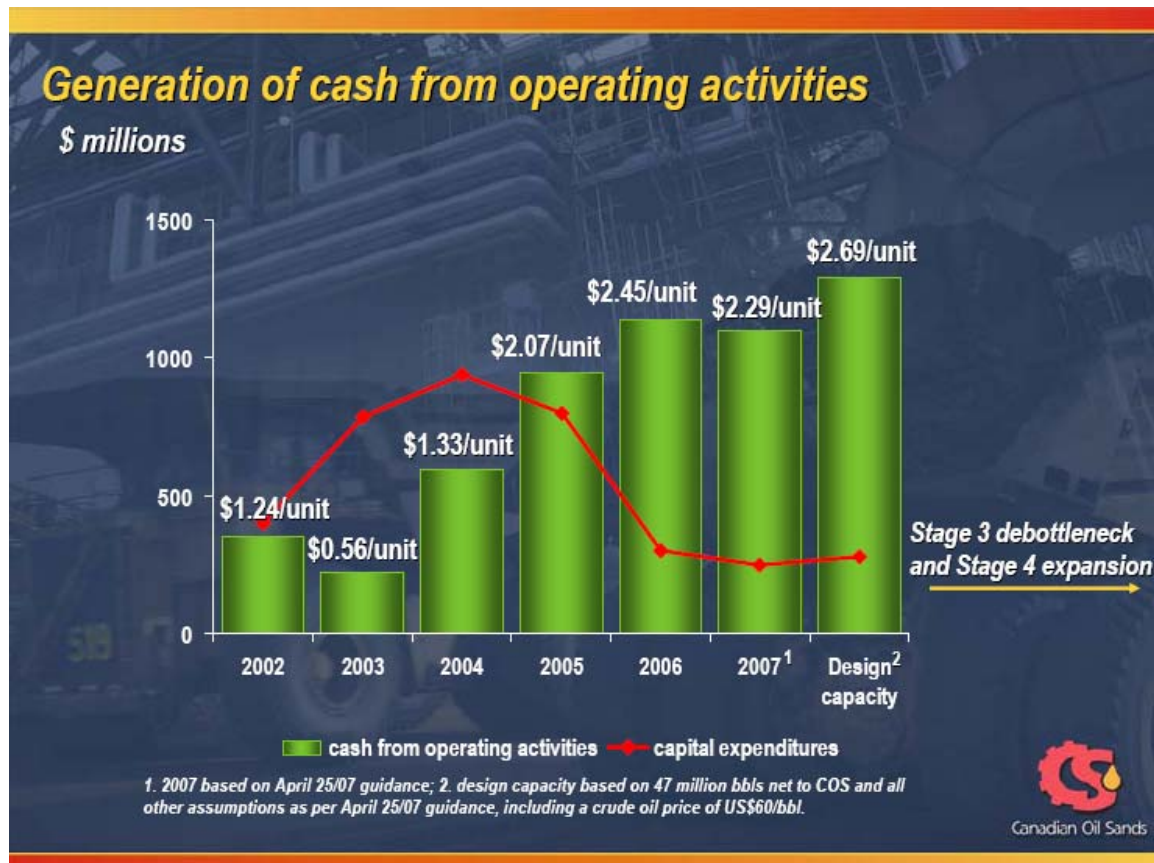
### Summary and Recommendation

Offering growing volume, long life, rising oil price, improving product quality, moderating costs and trading at US\$30, the units of buy-recommended **Canadian Oil Sands Trust (COSWF)** appear timely considering estimated Net Present Value (NPV) of US\$39 a unit and strong stock market action for other leading oil and gas producers. Stimulated by the trust's presentation to CAPP, the Canadian Association of Petroleum Producers, we illustrate a build up to NPV by capitalizing distributions and free cash flow from management guidance. The current quarterly distribution, annualized to C\$1.60 a unit, capitalizes to a starting value of US\$21 using a 7% per year unlevered return on investment before inflation and allowing for interest, debt and currency. Adjust free cash flow to C\$2.36 a unit for an oil price of US\$71, the current six-year quote, and the capitalized value becomes US\$32. Add C\$0.40 a unit for design capacity and capitalized value becomes US\$37. NPV of US\$39 includes recognition of expected future cost reduction, quality gain and volume expansion as well as a more conservative oil price.

Kurt H. Wulff, CFA



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**Natural Gas and Oil Royalty Trusts**  
**Rank by McDep Ratio: Market Cap and Debt to Present Value**

	Symbol/ Rating	Price (\$/sh) 21-Jun 2007	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio	
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	43.19	6.0	260	46.00	-	0.94	
Sabine Royalty Trust	SBR	42.00	14.6	610	45.00	-	0.93	
Mesa RoyaltyTrust	MTR	59.30	1.9	110	70.00	-	0.85	
Dorchester Minerals, L.P.	DMLP	22.35	28.2	630	27.00	-	0.83	
San Juan Basin Royalty Trust	SJT	B	32.94	46.6	1,540	40.00	-	0.82
Permian Basin RT	PBT		13.41	46.6	630	16.50	-	0.81
Hugoton RoyaltyTrust	HGT	B	26.31	40.0	1,050	34.00	-	0.77
<i>Total or Median</i>				4,800			0.83	
<b>Canadian Income Trusts (US\$)</b>								
Pengrowth Energy Trust	PGH	19.44	244.0	4,740	17.00	0.29	1.10	
Penn West Energy Trust	PWE	B	33.65	239.7	8,070	36.00	0.17	0.95
Enerplus Resources Fund	ERF	47.42	123.4	5,850	52.00	0.13	0.92	
Canadian Oil Sands Trust	COSWF	B	30.26	479.0	14,500	39.00	0.08	0.79
<i>Total or Median</i>				33,200		0.15	0.93	

B = Buy

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

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**Natural Gas and Oil Royalty Trusts**  
**Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.**

	Symbol/ Rating	Price (\$/sh) 21-Jun 2007	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)	
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	43.19	12.3	11.7	11.0	11.3	8.9	
Sabine Royalty Trust	SBR	42.00	10.2	11.3	10.5	10.5	9.5	
Dorchester Minerals, L.P.	DMLP	22.35	9.1	11.9	9.9	15.7	10.1	
San Juan Basin Royalty Trust	SJT	B	32.94	10.2	11.0	9.0	11.1	9.0
Mesa RoyaltyTrust	MTR	59.30	23.7	10.6	9.0	10.3	9.7	
Permian Basin RT	PBT	13.41	8.7	9.7	7.9	9.5	10.5	
Hugoton RoyaltyTrust	HGT	B	26.31	14.0	10.1	7.8	11.0	9.1
	<i>Median</i>			10.2	11.0	9.0	11.0	9.5
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	B	30.26	21.1	11.2	8.9	11.6	6.5
Pengrowth Energy Trust	PGH	19.44	7.5	7.2	7.9	24.3	14.4	
Enerplus Resources Fund	ERF	47.42	9.0	7.5	6.9	12.4	9.9	
Penn West Energy Trust	PWE	B	33.65	7.6	7.2	6.8	13.5	11.3
	<i>Median</i>			8.3	7.3	7.4	13.0	10.6

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

**Natural Gas and Oil Royalty Trusts**  
**Rank by NTM Distribution Yield**

	Symbol	Revenue Royalty (%)	Natural Gas/ Ebitda (%)	Dist/ Ebitda	Dist/ Equity Ebitda	NTM Distribution (\$mm)	Dist. Yield (\$/un) (%)	
<b>U.S. Royalty Trusts</b>								
Cross Timbers Royalty Trust	CRT	84	72	0.97	0.97	23	3.83	8.9
San Juan Basin Royalty Trust	SJT	-	98	0.82	0.82	138	2.97	9.0
Hugoton RoyaltyTrust	HGT	-	91	0.71	0.71	96	2.40	9.1
Sabine Royalty Trust	SBR	100	58	1.00	1.00	58	4.00	9.5
Mesa RoyaltyTrust	MTR	-	76	0.88	0.88	11	5.78	9.7
Dorchester Minerals, L.P.	DMLP	64	75	1.00	1.00	64	2.26	10.1
Permian Basin RT	PBT	35	41	0.83	0.83	66	1.41	10.5
	<i>Total or Median</i>		75	0.88	0.88	500		9.5
<b>Canadian Income Trusts (US\$)</b>								
Canadian Oil Sands Trust	COSWF	-	(10)	0.52	0.56	939	1.96	6.5
Enerplus Resources Fund	ERF	-	48	0.59	0.68	581	4.71	9.9
Penn West Energy Trust	PWE	-	41	0.63	0.76	913	3.81	11.3
Pengrowth Energy Trust	PGH	-	46	0.84	1.18	683	2.80	14.4
	<i>Total or Median</i>		44	0.61	0.72	3,100		10.6
Kinder Morgan Energy Partners	KMP			0.80	1.75			6.1

NTM = Next Twelve Months Ended June 30, 2008

Ebitda = Earnings before interest, tax, depreciation and amortization

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