

**Canadian Oil Sands Trust**  
**Continue Buy on Long-Life Secure Oil**

Symbol	Price (\$/sh) 3-Dec 2002	Shares (mm)	Market Cap (US\$mm)	Net		McDep Ratio	EV/ Sales 2002E	EV/ Ebitda NTM	P/E NTM	Div'd NTM (%)	PV/ Ebitda NTM
				Present Value (US\$/sh)	Debt/ Present Value						
US\$	22.53	57	1,290	40.00	0.13	0.62	3.6	6.9	8	5.7	11.2
COS_u.TO	C\$ 35.10										

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

EV = Enterprise Value = Market Cap and Debt:

US\$mm 1,630

Ebitda = Earnings before interest, tax, depreciation and amortization:

US\$mm 235

NTM = Next Twelve Months Ended June 30, 2003; P/E = Stock Price to Earnings

PV = Present Value of oil and gas:

US\$mm 2,640

Net Present Value

US\$mm 2,290

**Summary and Recommendation**

We continue our recommended purchase of the units of Canadian Oil Sands Trust for a growing cash income stream from oil production in North America that could last practically indefinitely. Investors participate on essentially the same economic terms with ExxonMobil, Encana, Conoco/Phillips, Petro-Canada, Murphy and Nexen in the output of the Syncrude plant in northern Alberta. A lower near term price of oil makes current commitments timelier than when we recommended the stock a few months ago. Also, further debate over the environmental issues in the Kyoto protocol has dampened plans of competitors to exploit oil sands while we remain comfortable that there is room for a practical accommodation for Syncrude. Meanwhile the trust and its partners who own the remaining 78% of Syncrude make progress in an expansion program to boost capacity by a half in a few years. Despite the husbanding of cash to help pay for the expansion, the trust pays a current distribution of 5.7%. A low McDep Ratio and low debt signal attractive long-term value and high financial quality. Updated Next Twelve Months projections contemplate rebounding volume after unusual equipment maintenance in the first half of next year. Finally, a rising value for the Canadian dollar may reflect investor perceptions of the country's strengths that include its rich resources of energy.

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at [www.mcdep.com](http://www.mcdep.com). Mr. Wulff is not paid by covered companies. Owning stocks, neither Mr. Wulff nor his spouse act contrary to a buy or sell rating.

**Extract and Refine for C\$20 a Barrel and Sell for C\$40 a Barrel**

The oil sands business was particularly rewarding in the latest quarter when revenue was C\$ 42 a barrel and expenses were less than C\$ 15 a barrel (see Table). We think the future will also be rewarding, but it is not guaranteed. The top line depends on world oil price with all the risks that implies. In our view current price is not particularly high. The chance of sustained lower price is slim and the greater likelihood is higher price long term. Low expenses are a credit to innovative engineering and hard work during many years of patience with losing, or breakeven operations in the past. Yet the winter weather is harsh and operating problems occur from time to time.

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

	<i>Q2</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>6/30/02</i>	<i>9/30/02</i>	<i>12/31/02</i>	<i>2002E</i>	<i>3/31/03</i>	<i>6/30/03</i>	<i>9/30/03</i>	<i>12/31/03</i>	<i>12/31/03</i>
<b>Volume</b>									
Days	91	92	92	<b>365</b>	90	91	92	92	<b>365</b>
Oil (mb)	3,527	5,222	5,222	<b>18,441</b>	3,870	3,913	5,336	5,336	<b>18,455</b>
Oil (mbd)	38.8	56.8	56.8	<b>50.5</b>	43.0	43.0	58.0	58.0	<b>50.6</b>
<b>Price</b>									
WTI Cushing (\$/bbl)	26.27	28.33	27.33	<b>25.88</b>	26.68	25.81	24.91	24.27	<b>25.42</b>
Differential	(14.16)	(15.42)	(14.88)	<b>(14.48)</b>	(14.53)	(14.05)	(13.56)	(13.21)	<b>(13.64)</b>
Company	40.43	43.75	42.21	<b>40.36</b>	41.21	39.86	38.48	37.48	<b>39.05</b>
<b>Revenue (\$mm)</b>									
Oil	143	228	220	<b>744</b>	159	156	205	200	<b>721</b>
Other	(5)	(5)	(5)	<b>(9)</b>	(5)	(5)	(5)	(5)	<b>(18)</b>
Total	138	220	216	<b>732</b>	155	151	201	195	<b>702</b>
<b>Expense</b>									
Operating	101	68	68	<b>316</b>	83	83	69	69	<b>305</b>
Other	4	8	8	<b>23</b>	8	8	8	8	<b>32</b>
Total	105	76	76	<b>339</b>	91	91	77	77	<b>337</b>
<b>Ebitda</b>	34	144	140	<b>393</b>	64	60	123	118	<b>366</b>
Exploration									
Deprec., Deplet., & Arr	11	16	16	<b>57</b>	12	12	17	17	<b>57</b>
Other Non Cash	(26)	28		<b>1</b>					<b>-</b>
<b>Ebit</b>	49	100	124	<b>335</b>	52	48	107	101	<b>308</b>
Interest	12	12	12	<b>48</b>	12	12	12	12	<b>48</b>
<b>Ebt</b>	37	88	112	<b>287</b>	40	36	95	89	<b>260</b>
Income Tax									
<b>Net Income (\$mm)</b>	37	88	112	<b>287</b>	40	36	95	89	<b>260</b>
Per Share (\$)	0.65	1.54	1.95	<b>5.02</b>	0.70	0.63	1.65	1.56	<b>4.54</b>
<b>Shares (millions)</b>	57.2	57.3	57.3	<b>57.2</b>	57.3	57.3	57.3	57.3	<b>57.3</b>
Operating (\$/bbl)	28.63	13.02	13.02	<b>17.14</b>	21.45	21.21	13.00	13.00	<b>16.51</b>
Other Expense (\$/bbl)	0.99	1.53	1.53	<b>1.22</b>	2.07	2.04	1.50	1.50	<b>1.73</b>
Ebitda Margin	24%	65%	65%	<b>54%</b>	41%	40%	61%	60%	<b>52%</b>

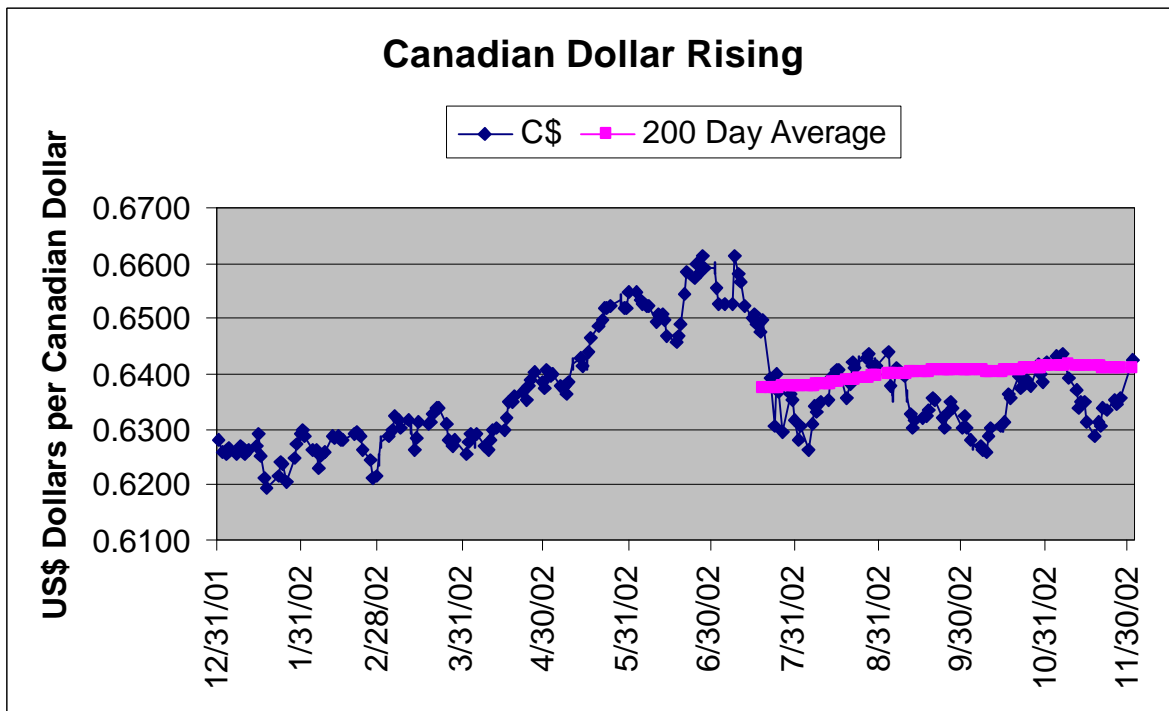
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### Canadian Dollar Stable to Rising

Sometimes a favorable move in a country's currency coincides with a favorable move in the country's stock market. Yet energy does not always move with the stock market as it has defensive characteristics like inflation protection that many stocks lack. Nonetheless energy resources are especially important to Canada.

Nor do we know where the currency is going. In any event with cold weather and a strong energy outlook, maybe the Canadian dollar, the Loonie, will confirm its break above the 200-day average on the first trading day in December 2002 (see Chart). While a stronger Loonie is not critical to investment success in Canadian Oil Sands Trust, it might help a little.

Kurt H. Wulff, CFA



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