

Rating: Buy  
S&P 500: 1280

## Canadian Oil Sands Trust Minimal Startup Delay Assessed

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$mm)</i>	1,610
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-7
<i>Price (US\$/un)</i>	30.59	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/26/06	<i>Adjusted Reserves/Production NTM</i>	25.1
<i>Units (mm)</i>	464	<i>EV/Ebitda</i>	9.9
<i>Market Capitalization (US\$mm)</i>	14,200	<i>PV/Ebitda</i>	8.9
<i>Debt (US\$mm)</i>	1,750	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	15,950	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	39.15
<i>Present Value (PV) (US\$mm)</i>	14,400	<i>Present Value Proven Reserves(US\$/boe)</i>	14.22
<i>Net Present Value (US\$/unit)</i>	27	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.37
<i>Debt/Present Value</i>	0.12	<i>Earnings Next Twelve Months (US\$/un)</i>	2.38
<i>McDep Ratio - EV/PV</i>	1.11	<i>Price/Earnings Next Twelve Months</i>	13
<i>Dividend Yield (%/year)</i>	6.2	<i>Indicated Annual Dividend (US\$/un)</i>	1.90

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.

### Summary and Recommendation

Buy-recommended **Canadian Oil Sands Trust (COSWF)** offers appreciation potential of 14% to estimated net present value (NPV) of US\$35 a unit at a long-term real oil price of \$60 a barrel, up from \$27 NPV at \$50 oil. We expect to make \$60 a barrel our standard assumption within a few weeks. The timing of today's analysis is prompted by management's disclosure of a 5% reduction in expected volume for 2006 as a result of up to a two month delay in startup of new capacity. The assessment follows disclosure about ten days ago that an odorous leak from new flue gas desulphurization equipment intended to help the expansion reduce emissions below strict standards. The effect of the minimal delay is further reduced in our projections that have moved beyond the current quarter to focus on the next twelve months ended June 30, 2007. Previously calculated in a sensitivity analysis last year, the expected new NPV is detailed in a discounted cash flow model. We also introduce, with comment to be supplied later, a generic present value concept for long-life projects with constant, non-declining production. Meanwhile, the oil price assumption in the expected new NPV seems well covered by six-year futures that are currently \$71 a barrel with a 40-week average of \$64.

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

	<i>Q2</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next</i>
	<i>6/30/05</i>	<i>3/31/06</i>	<i>6/30/06</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>Twelve</i>
									<i>Months</i>
									<i>6/30/07</i>
<b>Volume</b>									
Syncrude (mmb)	21.2	18.0	22.0	27.0	28.0	<b>95.0</b>	27.0	31.9	<b>113.9</b>
Syncrude (mbd)	233	200	242	293	304	<b>260</b>	300	350	<b>312</b>
Days	91	90	91	92	92	<b>365</b>	90	91	<b>365</b>
Trust share (%)	34.1	37.4	35.5	35.5	35.5	<b>35.9</b>	35.5	35.5	<b>35.5</b>
Trust Oil (mmb)	7.24	6.74	7.81	9.58	9.94	<b>34.1</b>	9.58	11.30	<b>40.4</b>
Trust Oil (mbd)	79.5	74.9	85.8	104.2	108.0	<b>93.3</b>	106.5	124.2	<b>110.7</b>
<b>Price</b>									
WTI Cushing (US\$/bbl)	53.05	63.33	70.50	72.02	73.45	<b>69.83</b>	74.11	74.19	<b>73.44</b>
Currency (US\$/C\$)	0.80	0.87	0.90	0.90	0.90	<b>0.90</b>	0.90	0.90	<b>0.90</b>
WTI Cushing (C\$/bbl)	65.99	72.79	77.97	79.65	81.24	<b>77.91</b>	81.96	82.05	<b>81.22</b>
Differential	3.00	(2.33)	-	-	-	<b>(0.00)</b>	-	-	<b>0.04</b>
Trust Oil Price (C\$/bbl)	68.99	70.46	77.97	79.65	81.24	<b>77.91</b>	81.96	82.05	<b>81.26</b>
Henry Hub Nat Gas (US\$/mmt)	6.76	8.97	6.82	6.37	8.27	<b>7.61</b>	10.20	8.44	<b>8.32</b>
Henry Hub Nat Gas (C\$/mmbtu)	8.40	10.31	7.54	7.04	9.15	<b>8.49</b>	11.28	9.34	<b>9.20</b>
AECO Natural Gas (C\$/GJ)	6.94	7.42	5.84	5.46	7.09	<b>6.45</b>	8.74	7.09	<b>7.10</b>
<b>Revenue (\$mm)</b>									
Oil	499	475	609	763	807	<b>2,654</b>	785	927	<b>3,283</b>
Transportation & Marketing	(12)	(9)	(12)	(14)	(15)	<b>(50)</b>	(15)	(18)	<b>(62)</b>
Other	0	(0)	(0)	(0)	(0)	<b>(1)</b>	-	-	<b>(0)</b>
Total	487	466	597	749	792	<b>2,604</b>	770	910	<b>3,221</b>
<b>Expense</b>									
Production	113	215	125	153	159	<b>653</b>	192	181	<b>685</b>
Purchased Energy	41	56	39	44	60	<b>199</b>	71	68	<b>244</b>
Crown Royalties	5	5	83	113	118	<b>319</b>	102	140	<b>473</b>
Insurance	2	2	2	2	2	<b>8</b>	2	2	<b>8</b>
Administration	3	5	5	5	5	<b>20</b>	4	4	<b>18</b>
Taxes and Other	1	2	2	2	2	<b>8</b>	2	2	<b>9</b>
Total	166	285	256	319	346	<b>1,207</b>	373	397	<b>1,436</b>
<b>Ebitda</b>									
Deprec., Deplet., & Amort.	47	50	78	96	99	<b>323</b>	96	113	<b>404</b>
Oil Hedging									
Currency Hedging	(5)	(7)	(9)	(9)	(9)	<b>(34)</b>	(9)	(9)	<b>(36)</b>
Non-Production	21	25	25	25	25	<b>100</b>	25	25	<b>100</b>
Exchange on U.S. Debt	15	2				<b>2</b>			<b>-</b>
Future Income Tax	(1)	(5)				<b>(5)</b>			<b>-</b>
<b>Ebit</b>									
Interest	27	25	25	25	25	<b>100</b>	23	23	<b>96</b>
<b>Net Income (\$mm)</b>									
Per Unit (\$)	0.48	0.21	0.48	0.63	0.66	<b>1.96</b>	0.57	0.78	<b>2.63</b>
<b>Units (millions)</b>									
	459.0	463.0	463.3	463.6	463.9	<b>463.7</b>	464.2	464.5	<b>464.1</b>
<b>Cash Flow (\$mm)</b>									
Per Unit (\$)	3.09	1.52	0.65	0.84	0.87	<b>2.65</b>	0.77	1.02	<b>3.50</b>
<b>Ratios</b>									
Production (\$/bbl)	15.62	31.93	16.00	16.00	16.00	<b>19.15</b>	20.00	16.00	<b>16.95</b>
Purchased Energy (\$/bbl)	5.73	8.25	4.97	4.64	6.03	<b>5.83</b>	7.43	6.03	<b>6.03</b>
Prod&Purch En (\$/bbl)	21.35	40.19	20.97	20.64	22.03	<b>24.99</b>	27.43	22.03	<b>22.98</b>
Crown Royalties & Taxes	1%	1%	14%	15%	15%	<b>12%</b>	13%	15%	<b>14%</b>
Other Expense (\$/bbl)	0.14	0.30	0.26	0.21	0.20	<b>0.23</b>	0.23	0.20	<b>0.21</b>
Ebitda Margin	66%	39%	57%	57%	56%	<b>54%</b>	52%	56%	<b>55%</b>
Deprec., D,& A (\$/bbl)	6.45	7.41	10.00	10.00	10.00	<b>9.49</b>	10.00	10.00	<b>10.00</b>
<b>Distribution</b>									
	0.10	0.30	0.30	0.40	0.50	<b>1.50</b>	0.60	0.60	<b>2.10</b>

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**Canadian Oil Sands Trust**  
**Present Value of Future Cash Flow**

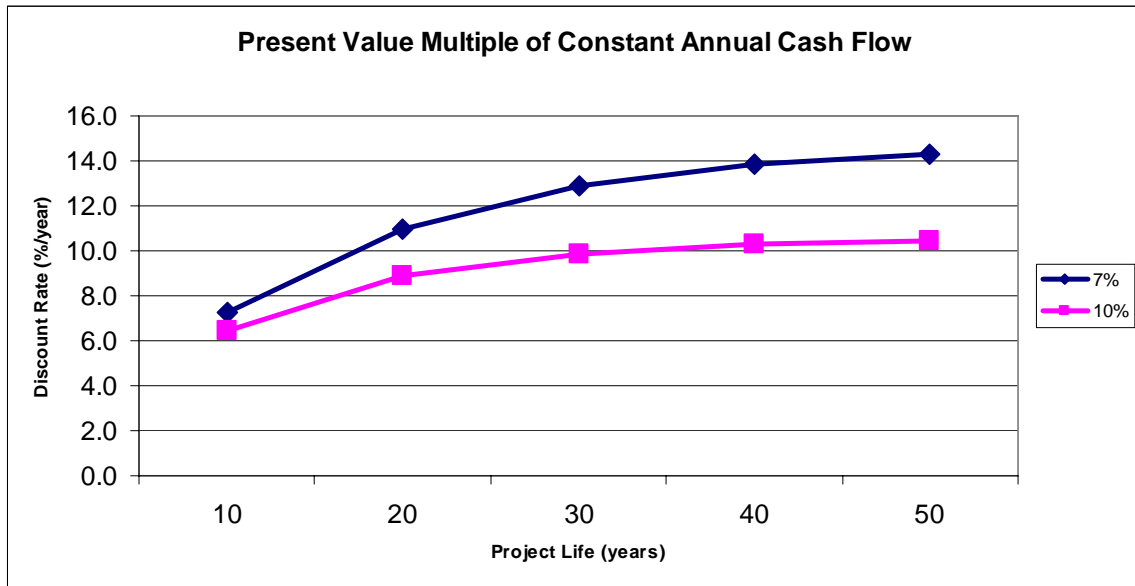
Nymex Crude (US\$/b): **60**      PV/unit (US\$): **35**      Discount rate (%/yr): **7.0**

Year	Volume		Price (US\$/bbl)	Revenue (C\$m)	Prod Cost (C\$/bbl)	Natural Gas (C\$/bbl)	Other & NonOper (C\$/bbl)	Capital Exp. (C\$m)	Royalty (C\$m)	Cash Flow (C\$m)	Disc Factor	Present Value (C\$m)
	Syncrude (mbd)	Trust (mmb)										
Total 2006 through 2050; years ending on 9/30												
		2036	68.82	140109				8340	21202	63553	0.31	19800
2006	312	40.4	73.47	3283	16.95	6.03	2.38	420	473	1366	0.97	1320
2007	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.90	1277
2008	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.84	1193
2009	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.79	1115
2010	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.74	1042
2011	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.69	974
2012	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.64	910
2013	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.60	851
2014	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.56	795
2015	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.53	743
2016	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.49	695
2017	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.46	649
2018	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.43	607
2019	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.40	567
2020	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.37	530
2021	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.35	495
2022	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.33	463
2023	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.31	433
2024	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.29	404
2025	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.27	378
2026	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.25	353
2027	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.23	330
2028	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.22	308
2029	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.20	288
2030	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.19	269
2031	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.18	252
2032	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.17	235
2033	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.16	220
2034	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.15	205
2035	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.14	192
2036	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.13	179
2037	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.12	168
2038	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.11	157
2039	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.10	147
2040	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.10	137
2041	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.09	128
2042	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.08	120
2043	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.08	112
2044	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.07	104
2045	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.07	98
2046	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.06	91
2047	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.06	85
2048	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.06	80
2049	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.05	74
2050	350	45.4	62.00	3110	14.00	7.25	1.80	180	471	1413	0.05	70

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**Syncrude Economics**

Volume (bd)	350
Currency (US\$/C\$)	0.90
Price (US\$/bbl)	
Light Sweet Crude	60.00
Syncrude Sweet Premium	62.00
Costs (C\$/bbl)	
Production	14.00
Natural Gas	7.30
Other	1.80
Royalty	10.40
Maintenance Capital	4.00
Free Cash Flow (US\$/bbl)	28.30
Valuation (US\$mm)	
Annual Free Cash Flow	3,620
PV/FCF	14.0
Present Value	50,700
Book Value	13,700
Replacement Cost	30,000
Replacement Cost (C\$/bd)	95,000



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