

Rating: Buy  
 S&P 500: 1545

## Canadian Oil Sands Trust Oil Price Trumps Alberta Tax Hike

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 9/30/08 (US\$m)</i>	2,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-6
<i>Price (US\$/un)</i>	36.81	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	10/31/07	<i>Adjusted Reserves/Production NTM</i>	21.7
<i>Units (mm)</i>	479	<i>EV/Ebitda</i>	7.9
<i>Market Capitalization (US\$m)</i>	17,630	<i>PV/Ebitda</i>	8.4
<i>Debt (US\$m)</i>	1,390	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$m)</i>	19,020	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	51.87
<i>Present Value (PV) (US\$m)</i>	20,100	<i>Present Value Proven Reserves(US\$/boe)</i>	23.54
<i>Net Present Value (US\$/unit)</i>	39	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.92
<i>Debt/Present Value</i>	0.07	<i>Earnings Next Twelve Months (US\$/un)</i>	3.96
<i>McDep Ratio - EV/PV</i>	0.95	<i>Price/Earnings Next Twelve Months</i>	9
<i>Distribution Yield (%/year)</i>	8.6	<i>Distribution Next Twelve Months (US\$/sh)</i>	3.18

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.

Estimated present value presumes a long-term price for oil of US\$66 a barrel and natural gas, \$11 a million btu.

For historical analysis of COS since 2002 see [www.mcdep.com/4cos.htm](http://www.mcdep.com/4cos.htm)

### Summary and Recommendation

With recent market action giving clearer vision of the possibility of \$150 oil in 2010, we like the prospects for buy-recommended **Canadian Oil Sands Trust (COSWF)** despite the intention by the Premier of Alberta to increase the oil sands royalty rate to 40% from 25% after 2015. Meanwhile, in reporting third quarter results today, management increased the quarterly distribution to C\$0.55 a unit from C\$0.40. Quarterly free cash flow of more than C\$1.00 a unit next year suggests a continued rapid rate of distribution increase (see table Next Twelve Months Operating and Financial Estimates). Looking ahead to possible long-term oil price rise to \$150 a barrel, we calculated that net present value (NPV) would increase to \$93 a share from \$39 a share currently (see *Meter Reader*, October 16, 2007). Higher taxes to be charged by Alberta announced last week could reduce the estimate of \$93 a share to perhaps \$74 a share. In a tight supply position as appears to be the global situation now, price would go up at least as much as taxes add to costs. Indeed, six-year oil price is rising again, perhaps to another double as was the case from the end of 2004 to mid 2006, subject to short declines from time to time (see chart Six-Year Commodity Price Meter).

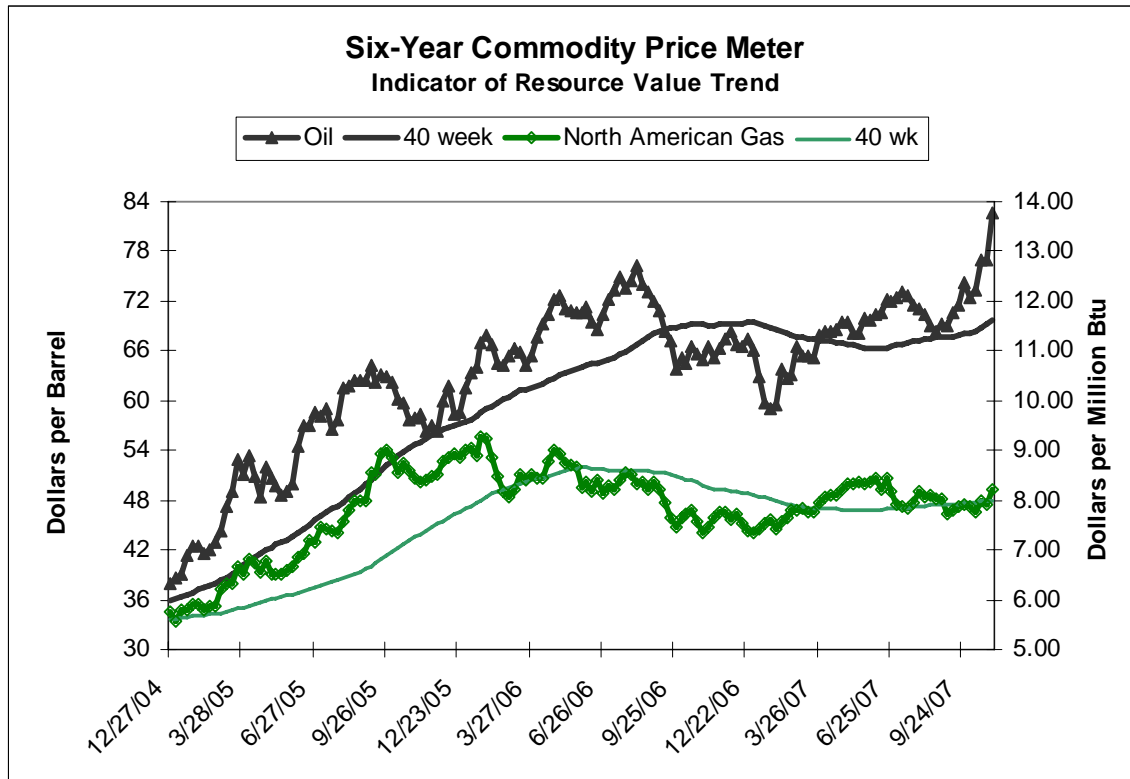
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**Canadian Oil Sands Trust**  
**Next Twelve Months Operating and Financial Estimates**  
(Canadian Dollars)

	Q3	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/06	6/30/07	9/30/07	12/31/07	2007E	3/31/08	6/30/08	9/30/08	9/30/08
<b>Volume</b>									
Syncrude (mmb)	26.0	23.9	32.1	27.6	<b>110.1</b>	31.9	31.9	32.2	<b>123.5</b>
Syncrude (mbd)	283	263	349	299	<b>302</b>	350	350	350	<b>337</b>
Days	92	91	92	92	<b>365</b>	91	91	92	<b>366</b>
Trust share (%)	33.7	37.6	35.8	36.7	<b>36.7</b>	36.7	36.7	36.7	<b>36.7</b>
Trust Oil (mmb)	8.78	8.98	11.49	10.12	<b>40.4</b>	11.70	11.70	11.83	<b>45.4</b>
Trust Oil (mbd)	95.4	98.7	124.9	110.0	<b>110.7</b>	128.6	128.6	128.6	<b>123.9</b>
<b>Price</b>									
WTI Cushing (US\$/bbl)	70.42	64.91	75.48	91.02	<b>72.37</b>	91.70	89.32	87.41	<b>89.86</b>
Currency (US\$/C\$)	0.89	0.91	0.96	1.06	<b>0.95</b>	1.06	1.06	1.06	<b>1.06</b>
WTI Cushing (C\$/bbl)	79.12	71.25	78.95	85.80	<b>76.00</b>	86.43	84.19	82.39	<b>84.70</b>
Differential	0.04	5.16	2.28	2.48	<b>2.83</b>	3.21	3.13	3.06	<b>2.94</b>
Trust Oil Price (C\$/bbl)	79.17	76.41	81.23	88.27	<b>78.82</b>	89.65	87.32	85.45	<b>87.65</b>
Henry Hub Nat Gas (US\$/mmBtu)	6.58	7.56	6.16	7.46	<b>7.00</b>	8.26	7.90	8.11	<b>7.93</b>
Henry Hub Nat Gas (C\$/mmBtu)	7.40	8.29	6.44	7.03	<b>7.35</b>	7.78	7.45	7.65	<b>7.48</b>
AECO Natural Gas (C\$/GJ)	5.42	6.78	4.99	5.45	<b>6.05</b>	6.03	5.77	5.93	<b>5.79</b>
<b>Revenue (\$mm)</b>									
Oil	695	686	933	893	<b>3,185</b>	1,049	1,022	1,011	<b>3,975</b>
Transportation & Marketing	9	9	8		<b>17</b>				<b>-</b>
Other	(9)	(9)	(17)		<b>(23)</b>				<b>-</b>
Total	695	686	942	893	<b>3,195</b>	1,049	1,022	1,011	<b>3,975</b>
<b>Expense</b>									
Production	133	215	195	195	<b>776</b>	195	195	195	<b>781</b>
Purchased Energy	40	56	44	41	<b>201</b>	66	63	66	<b>237</b>
Crown Royalties	115	89	165	144	<b>492</b>	177	171	167	<b>659</b>
Insurance	1	1	2	2	<b>8</b>	2	2	2	<b>8</b>
Administration	3	6	4	4	<b>18</b>	4	4	4	<b>16</b>
Taxes and Other	(1)	-	-	3	<b>4</b>	3	3	3	<b>12</b>
Total	291	367	410	390	<b>1,500</b>	447	439	437	<b>1,712</b>
<b>Ebitda</b>	404	319	532	504	<b>1,696</b>	602	583	574	<b>2,263</b>
Deprec., Deplet., & Amort.	70	77	101	81	<b>341</b>	94	94	95	<b>363</b>
Oil Hedging									
Currency Hedging	(3)	(4)	(2)	(10)	<b>(18)</b>	(10)	(10)	(10)	<b>(41)</b>
Non-Production	11	15	16	16	<b>65</b>	16	16	20	<b>68</b>
Exchange on U.S. Debt	(1)	(63)	(42)		<b>(112)</b>				<b>-</b>
Future Income Tax	13	665	69		<b>696</b>				<b>-</b>
<b>Ebit</b>	314	(371)	390	417	<b>724</b>	502	484	470	<b>1,873</b>
Interest	24	23	21	21	<b>89</b>	21	21	21	<b>84</b>
<b>Net Income (\$mm)</b>	290	(394)	369	396	<b>635</b>	481	463	449	<b>1,789</b>
Per Unit (\$)	0.60	(0.82)	0.75	0.83	<b>1.31</b>	1.00	0.97	0.94	<b>3.73</b>
<b>Units (millions)</b>	467	479	479	479	<b>486</b>	479	479	479	<b>479</b>
<b>Cash Flow (\$mm)</b>	360	326	484	467	<b>1,560</b>	565	546	533	<b>2,151</b>
Per Unit (\$)	0.77	0.68	1.01	0.97	<b>3.21</b>	1.18	1.14	1.11	<b>4.49</b>
Capital Expend (C\$/unit)		0.11	0.09	0.09	<b>0.37</b>	0.09	0.09	0.09	<b>0.38</b>
Free Cash Flow (C\$/unit)		0.57	0.92	0.88	<b>2.72</b>	1.08	1.05	1.02	<b>4.03</b>
<b>Ratios</b>									
Production (\$/bbl)	15.09	23.92	16.99	19.29	<b>19.22</b>	16.68	16.68	16.50	<b>17.22</b>
Purchased Energy (\$/bbl)	4.61	6.25	3.81	4.06	<b>4.97</b>	5.67	5.43	5.57	<b>5.22</b>
Prod&Purch En (\$/bbl)	19.70	30.17	20.80	23.34	<b>24.19</b>	22.35	22.11	22.07	<b>22.44</b>
Crown Royalties & Taxes	17%	13%	18%	16%	<b>15%</b>	17%	17%	16%	<b>17%</b>
Other Expense (\$/bbl)	(0.11)	-	-	0.30	<b>0.10</b>	0.26	0.26	0.25	<b>0.26</b>
Ebitda Margin	58%	47%	56%	56%	<b>53%</b>	57%	57%	57%	<b>57%</b>
Deprec., D.& A (\$/bbl)	7.97	8.57	8.79	8.00	<b>8.44</b>	8.00	8.00	8.00	<b>8.00</b>
<b>Distribution</b>	0.30	0.40	0.40	0.55	<b>1.65</b>	0.70	0.85	0.90	<b>3.00</b>

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