



Rating: Buy  
 S&P 500: 1356

## Canadian Oil Sands Trust Distribution Nearly Doubles in Two Quarters

<i>Symbol</i>	COSWF	<i>Ebitda Twelve Months 12/31/08 (US\$mm)</i>	2,120
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-7
<i>Price (US\$/un)</i>	36.75	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	1/30/08	<i>Adjusted Reserves/Production NTM</i>	23.2
<i>Units (mm)</i>	479	<i>EV/Ebitda</i>	8.9
<i>Market Capitalization (US\$mm)</i>	17,600	<i>PV/Ebitda</i>	10.8
<i>Debt (US\$mm)</i>	1,230	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	18,830	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	48.96
<i>Present Value (PV) (US\$mm)</i>	22,800	<i>Present Value Proven Reserves(US\$/boe)</i>	26.70
<i>Net Present Value (US\$/unit)</i>	45	<i>Present Value Proven Reserves(US\$/mcf)</i>	4.45
<i>Debt/Present Value</i>	0.05	<i>Earnings Next Twelve Months (US\$/un)</i>	3.32
<i>McDep Ratio - EV/PV</i>	0.83	<i>Price/Earnings Next Twelve Months</i>	11
<i>Distribution Yield (%/year)</i>	9.0	<i>Distribution Next Twelve Months (US\$/sh)</i>	3.32
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Present value presumes long-term price for oil, US\$80 a barrel; natural gas, \$11 a million btu.			
For historical analysis of COS since 2002 see <a href="http://www.mcdep.com/4cos.htm">www.mcdep.com/4cos.htm</a>			

### Summary and Recommendation

On the path of steep distribution increases, buy-recommended **Canadian Oil Sands Trust (COSWF)** raised the quarterly distribution to C\$0.75 from C\$0.55 last quarter and C\$0.40 the quarter before that. The two quarter increase is 97% in U.S. dollars and 88% in Canadian dollars. We project currently an average distribution of C\$0.85 a quarter for the remaining three quarters of 2008. Fourth quarter operating results reported after the market close on January 30 scored record revenue on higher oil price offset by lower volume. After operations at an expected 90% of capacity in 2008, there is likely growth to full capacity in 2009. More capacity expansion lies down the road along with further oil price appreciation potential.

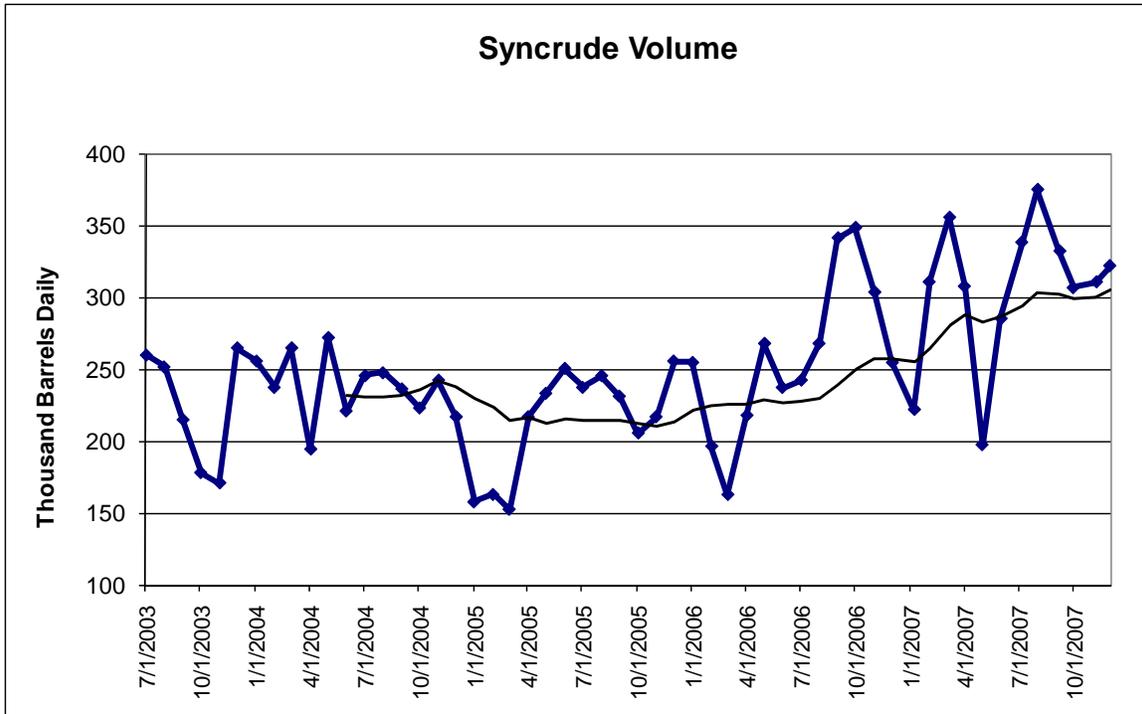
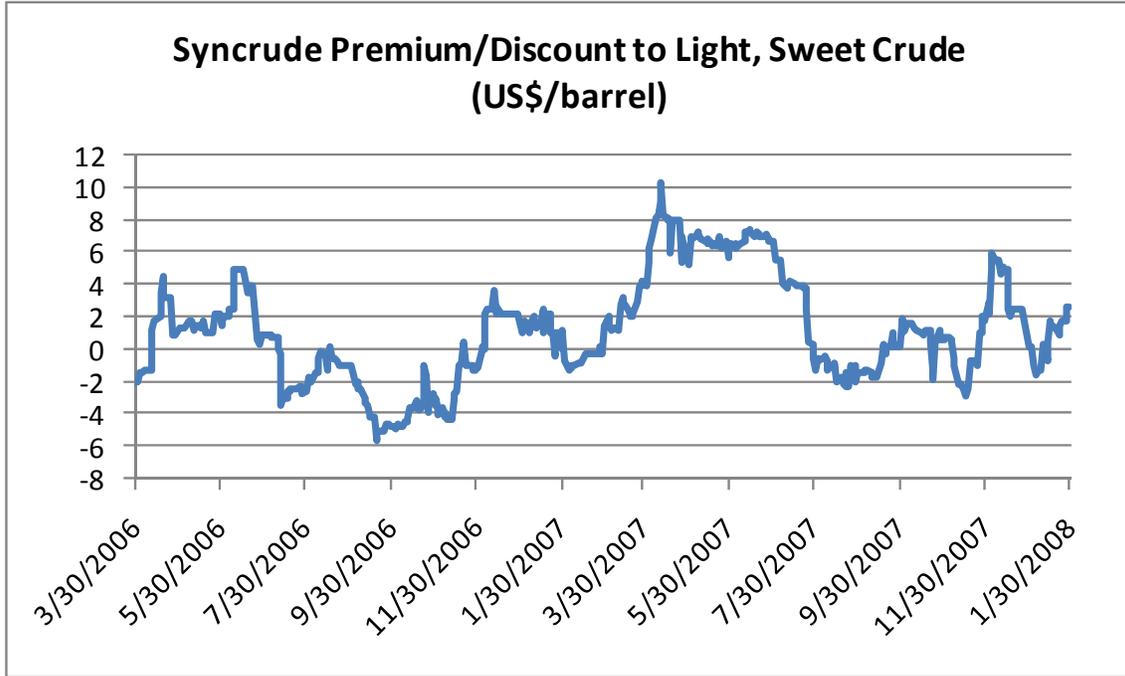
### Premium Synthetic Oil

Our projections for 2008 operations differ from management's guidance primarily in oil price. We take the benchmark crude oil price from the futures market and then apply a modest premium to estimate the price the trust receives. The Syncrude Joint Venture (36.7% COSWF) produces higher quality oil than the Light, Sweet Crude quoted on the New York Mercantile Exchange. *Bloomberg* quotes daily the spread between Canadian Synthetic and the Nymex grade. Since the second quarter of 2006, the spread has averaged about a dollar a barrel while ranging from minus \$6 to plus \$10 (see chart). The general factors affecting the spread are how much synthetic crude is being created and how fast the transportation and refining system can take it. Extreme premiums or discounts do not last long. Rather than attempt to consider how all those factors may work out, we project the spread for 2008 at the average for the past seven quarters.

Kurt H. Wulff, CFA



Canadian Oil Sands Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	12/31/06	9/30/07	12/31/07	2007	3/31/08	6/30/08	9/30/08	12/31/08	12/31/08
<b>Volume</b>									
Syncrude (mmb)	27.8	32.1	28.8	111.3	29.1	28.2	26.7	31.3	115.3
Syncrude (mbd)	302	349	313	305	320	310	290	340	315
Days	92	92	92	365	91	91	92	92	366
Trust share (%)	36.4	35.8	37.2	36.8	36.7	36.7	36.7	36.7	36.7
Trust Oil (mmb)	10.14	11.49	10.71	41.0	10.70	10.36	9.80	11.49	42.4
Trust Oil (mbd)	110.2	124.9	116.4	112.3	117.6	113.9	106.5	124.9	115.7
<b>Price</b>									
WTI Cushing (US\$/bbl)	59.99	75.48	90.67	72.28	91.62	90.56	89.92	89.34	90.36
Currency (US\$/C\$)	0.88	0.96	1.02	0.94	1.01	1.01	1.01	1.01	1.01
WTI Cushing (C\$/bbl)	68.17	78.95	88.91	76.78	90.96	89.90	89.27	88.69	89.70
Differential	(4.70)	2.28	(0.41)	2.24	1.00	1.00	1.00	1.00	0.99
Trust Oil Price (C\$/bbl)	63.47	81.23	88.50	79.02	91.96	90.90	90.27	89.69	90.69
Henry Hub Nat Gas (US\$/mmBtu)	6.57	6.16	6.97	6.87	7.76	8.07	8.28	8.63	8.18
Henry Hub Nat Gas (C\$/mmBtu)	7.46	6.44	6.84	7.30	7.70	8.01	8.22	8.56	8.12
AECO Natural Gas (C\$/GJ)	6.26	4.99	5.84	6.15	6.49	6.75	6.92	7.21	6.84
<b>Revenue (\$mm)</b>									
Oil	643	933	947	3,239	984	942	885	1,031	3,842
Transportation & Marketing	12	8	8	25					-
Other	(15)	(17)	(11)	(33)					-
Total	646	942	950	3,252	984	942	885	1,031	3,842
<b>Expense</b>									
Production	179	195	234	815	210	210	210	210	840
Purchased Energy	60	44	59	219	65	65	63	77	270
Crown Royalties	83	165	137	485	154	144	130	163	591
Insurance	1	2	2	8	2	2	2	2	8
Administration	5	4	6	20	5	5	5	5	20
Taxes and Other	-	-	-	1	3	3	3	3	12
Total	328	410	438	1,548	439	429	413	460	1,741
<b>Ebitda</b>									
Deprec., Deplet., & Amort.	75	101	91	351	96	93	88	103	381
Oil Hedging									
Currency Hedging	(2)	(2)	(3)	(11)					
Non-Production	14	16	14	63	22	22	22	22	88
Exchange on U.S. Debt	40	(42)	(5)	(117)					-
Future Income Tax	39	69	(118)	578					-
<b>Ebit</b>									
Interest	24	21	17	85	13	13	13	13	52
<b>Net Income (\$mm)</b>									
Per Unit (\$)	0.27	0.75	1.07	1.55	0.86	0.80	0.73	0.90	3.30
<b>Units (millions)</b>									
469	479	479	487	479	479	479	479	479	479
<b>Cash Flow (\$mm)</b>									
Per Unit (\$)	0.63	1.01	0.77	3.22	1.06	1.00	0.91	1.12	4.09
Capital Expend (C\$/unit)		0.09		0.27	0.15	0.15	0.15	0.15	0.60
Free Cash Flow (C\$/unit)		0.92	0.77	2.61	0.91	0.85	0.76	0.97	3.49
<b>Ratios</b>									
Production (\$/bbl)	17.67	16.99	21.84	19.88	19.63	20.26	21.42	18.27	19.83
Purchased Energy (\$/bbl)	5.91	3.81	5.53	5.34	6.03	6.28	6.44	6.71	6.37
Prod&Purch En (\$/bbl)	23.58	20.80	27.37	25.23	25.66	26.54	27.86	24.98	26.20
Crown Royalties & Taxes	13%	18%	14%	15%	16%	15%	15%	16%	15%
Other Expense (\$/bbl)	-	-	-	0.02	0.28	0.29	0.31	0.26	0.28
Ebitda Margin	49%	56%	54%	52%	55%	54%	53%	55%	55%
Deprec., D,& A (\$/bbl)	7.40	8.79	8.50	8.56	9.00	9.00	9.00	9.00	9.00
<b>Distribution</b>									
0.30	0.40	0.55	1.65	0.75	0.85	0.85	0.85	0.85	3.30



**McDep LLC**  
**Independent Stock Idea**  
January 31, 2008



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