



Independent Stock Idea

November 20, 2008

rating: buy
s&p 500: 807

Canadian Oil Sands Trust (COSWF) Alberta Reduces Royalties

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 9/30/09 (US\$m)</i>	1,290
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-9
<i>Price (US\$/un)</i>	18.11	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/19/08	<i>Adjusted Reserves/Production NTM</i>	21.6
<i>Units (mm)</i>	482	<i>EV/Ebitda</i>	7.5
<i>Market Capitalization (US\$m)</i>	8,700	<i>PV/Ebitda</i>	16.4
<i>Debt (US\$m)</i>	900	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$m)</i>	9,600	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	27.63
<i>Present Value (PV) (US\$m)</i>	21,200	<i>Present Value Proven Reserves(US\$/boe)</i>	24.82
<i>Net Present Value (US\$/unit)</i>	42	<i>Present Value Proven Reserves(US\$/mcfe)</i>	4.14
<i>Debt/Present Value</i>	0.04	<i>Earnings Next Twelve Months (US\$/un)</i>	1.64
<i>McDep Ratio - EV/PV</i>	0.46	<i>Price/Earnings Next Twelve Months</i>	11
<i>Distribution Yield (%/year)</i>	11.5	<i>Distribution Next Twelve Months (US\$/sh)</i>	2.08
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of COS since 2002 see www.mcdep.com/4cos.htm			

Summary and Recommendation

The Province of Alberta and the owners of the Syncrude (37% COSWF) oil sands mine and upgrader have negotiated a new royalty agreement that implies no change to our estimated Net Present Value (NPV) of US\$42 a unit for Buy-recommended **Canadian Oil Sands Trust (COSWF)**. At the same time the stock has fallen to a new low price of US\$18 a unit amid a global stock market panic. Though the trust is financially strong, its stock has suffered along with weaker entities in a simultaneous selling of almost all long-term assets, particularly those outside the U.S. Disclosed late November 18, the Syncrude owners will exercise their option to have the Alberta oil royalty apply only to the raw bitumen rather than to the refined synthetic crude oil product. While that cuts the royalty obligation about in half, there are two offsetting costs -- recapture of upgrader capital cost applied to reduce past income for royalty purposes and a new fixed payment for six years beginning in 2010. The combined effect of the changes could reduce royalty payments by C\$100 million in 2009 from the rate we currently project (see table Next Twelve Months Operating and Financial Estimates). On a long-term basis all the changes add to no more than the amount we had been assuming by applying the old royalty rate to all rather than half the value of premium crude oil output.

Kurt H. Wulff, CFA



Independent Stock Idea

November 20, 2008

Canadian Oil Sands Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
									Next
	Q3	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Twelve
	9/30/07	6/30/08	9/30/08	12/31/08	2008E	3/31/09	6/30/09	9/30/09	Months
									9/30/09
Volume									
Syncrude (mmb)	32.1	24.1	29.1	29.0	106.5	31.5	31.9	32.2	124.5
Syncrude (mbd)	349	265	316	315	291	350	350	350	341
Days	92	91	92	92	366	90	91	92	365
Trust share (%)	35.8	36.9	36.9	36.7	36.9	36.7	36.7	36.7	36.7
Trust Oil (mmb)	11.49	8.89	10.73	10.64	39.3	11.57	11.70	11.83	45.7
Trust Oil (mbd)	124.9	97.7	116.7	115.7	107.4	128.6	128.6	128.6	125.3
Price									
WTI Cushing (US\$/bbl)	75.48	123.97	117.99	63.48	100.85	56.31	58.98	61.64	60.10
Currency (US\$/C\$)	0.96	0.99	0.96	0.80	0.95	0.80	0.80	0.80	0.80
WTI Cushing (C\$/bbl)	78.95	125.23	122.77	79.73	106.53	70.73	74.09	77.42	75.49
Differential	2.28	6.09	4.78	1.00	2.94	1.00	1.00	1.00	0.92
Trust Oil Price (C\$/bbl)	81.23	131.32	127.55	80.73	109.47	71.73	75.09	78.42	76.41
Henry Hub Nat Gas (US\$/mmbt)	6.16	10.93	10.25	6.83	9.01	6.68	6.77	7.07	6.83
Henry Hub Nat Gas (C\$/mmbtu)	6.44	11.04	10.66	8.58	9.51	8.39	8.50	8.88	8.59
AECO Natural Gas (C\$/GJ)	4.99	9.38	7.86	7.32	7.97	7.60	7.22	6.55	7.17
Revenue (\$mm)									
Oil	933	1,168	1,369	859	4,301	830	879	928	3,496
Transportation & Marketing	8	8	9		27				-
Other	(17)	(16)	(19)		(46)				-
Total	942	1,176	1,379	859	4,321	830	879	928	3,496
Expense									
Production	195	296	276	276	1,100	276	276	276	1,102
Purchased Energy	44	77	69	72	290	82	79	72	305
Crown Royalties	165	178	231	105	645	95	108	122	430
Insurance	2	1	2	2	7	2	2	2	8
Administration	4	9	3	3	19	5	5	5	18
Taxes and Other	-	-	-	3	3	3	3	3	12
Total	410	561	581	461	2,064	463	472	480	1,876
Ebitda	532	615	798	398	2,257	368	406	448	1,620
Deprec., Deplet., & Amort.	101	102	121	121	446	121	121	121	484
Currency Hedging	(2)	(1)	(1)		(3)				
Non-Production	16	16	21	21	75	22	22	22	87
Exchange on U.S. Debt	(42)	(5)	32		53				-
Future Income Tax	69	(10)	6		(18)				-
Ebit	390	513	619	256	1,704	225	263	305	1,049
Interest	21	16	16	16	65	13	13	13	55
Net Income (\$mm)	369	497	603	240	1,639	212	250	292	994
Per Unit (\$)	0.75	1.04	1.25	0.50	3.41	0.44	0.52	0.61	2.06
Units (millions)	479	481	482	482	481	482	482	482	482
Funds from Operations (\$mm)	484	583	761	361	2,120	333	371	413	1,478
Per Unit (\$)	1.01	1.21	1.58	0.75	4.41	0.69	0.77	0.86	3.07
Maintenance Cap Ex (C\$/unit)	0.09	0.15	0.15	0.15	0.59	0.15	0.15	0.15	0.60
Free Cash Flow (C\$/unit)	0.92	1.06	1.43	0.60	3.81	0.54	0.62	0.71	2.47
Ratios									
Production (\$/bbl)	16.99	33.24	25.68	25.90	27.99	23.81	23.55	23.29	24.10
Purchased Energy (\$/bbl)	3.81	8.69	6.47	6.81	7.38	7.07	6.71	6.09	6.66
Prod&Purch En (\$/bbl)	20.80	41.94	32.15	32.71	35.38	30.88	30.26	29.38	30.76
Crown Royalties & Taxes	18%	15%	17%	12%	15%	11%	12%	13%	12%
Other Expense (\$/bbl)	-	-	-	0.28	0.08	0.26	0.26	0.25	0.26
Ebitda Margin	56%	52%	58%	46%	52%	44%	46%	48%	46%
Deprec., D.& A (\$/bbl)	8.79	11.47	11.27	11.37	11.35	10.46	10.34	10.23	10.58
Distribution	0.40	1.00	1.25	0.75	3.75	0.54	0.62	0.71	2.62

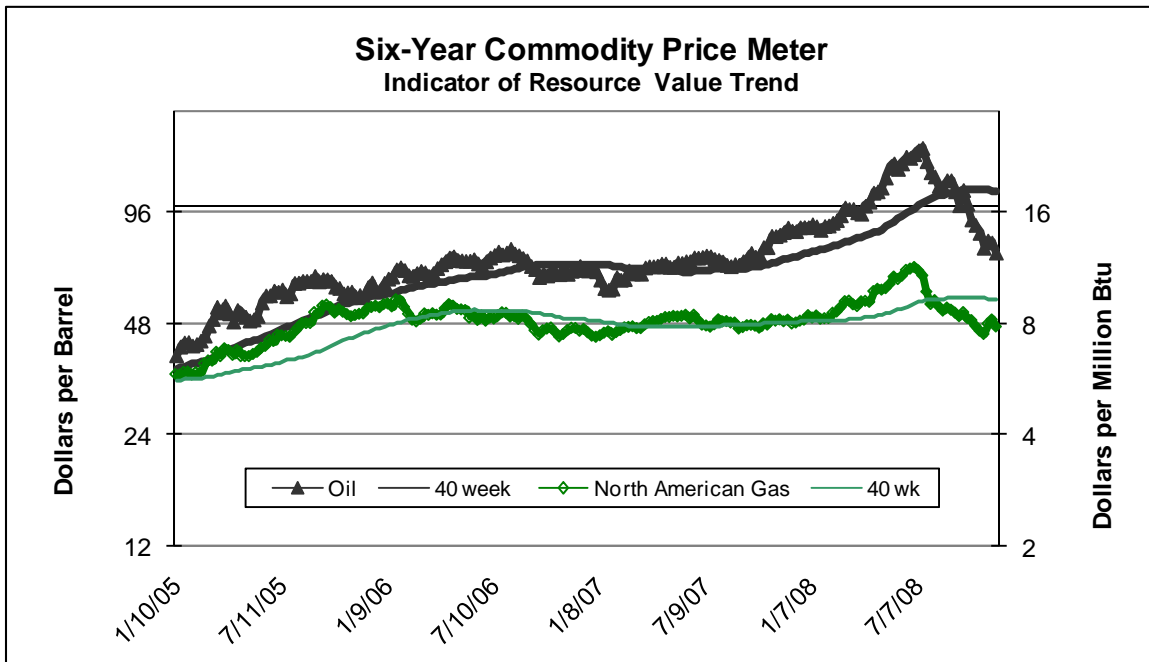
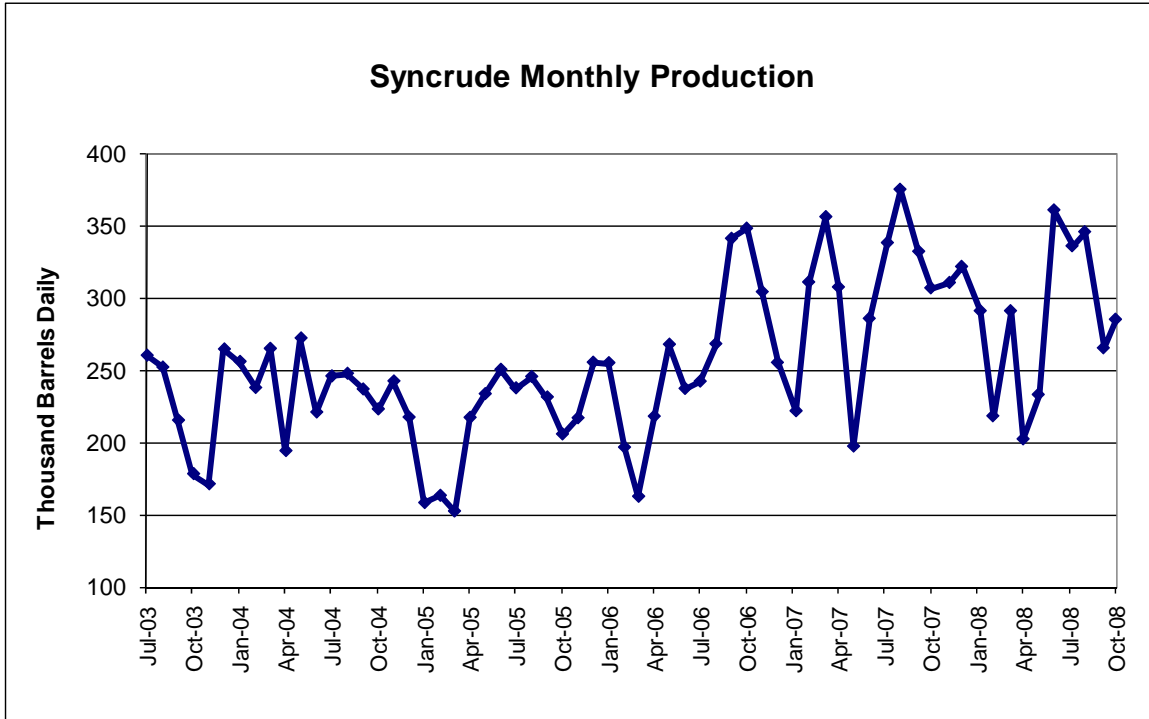
Please see disclosures on the final page.

Page 2



Independent Stock Idea

November 20, 2008





Independent Stock Idea

November 20, 2008

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.