



Independent Stock Idea

December 10, 2008

rating: buy
s&p 500: 902 intraday

Canadian Oil Sands Trust (COSWF) Budget Quarterly Distribution of C\$0.25 a Unit

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 12/31/09 (US\$m)</i>	870
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-9
<i>Price (US\$/un)</i>	17.53	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	12/10/08	<i>Adjusted Reserves/Production NTM</i>	23.3
<i>Units (mm)</i>	482	<i>EV/Ebitda</i>	10.7
<i>Market Capitalization (US\$m)</i>	8,400	<i>PV/Ebitda</i>	24.2
<i>Debt (US\$m)</i>	900	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$m)</i>	9,400	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	20.22
<i>Present Value (PV) (US\$m)</i>	21,100	<i>Present Value Proven Reserves(US\$/boe)</i>	24.71
<i>Net Present Value (US\$/unit)</i>	42	<i>Present Value Proven Reserves(US\$/mcfe)</i>	4.12
<i>Debt/Present Value</i>	0.04	<i>Earnings Next Twelve Months (US\$/un)</i>	0.78
<i>McDep Ratio - EV/PV</i>	0.44	<i>Price/Earnings Next Twelve Months</i>	22
<i>Distribution Yield (%/year)</i>	4.9	<i>Distribution Next Twelve Months (US\$/sh)</i>	0.85
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

Setting a conservative tone, the 2009 budget released late December 9 for buy-recommended **Canadian Oil Sands Trust (COSWF)** indicates a likely quarterly distribution rate of C\$0.25 a unit. That contrasts to our recent expectation of about C\$0.50 a unit at capacity operations and an oil price of US\$50 a barrel. Allowing for more major maintenance while oil price is low, Syncrude Production is budgeted at 315,000 barrels daily (bd) rather than at capacity of 350,000 bd as we had projected. Management targets 350,000 bd for 2010. The other noticeable changes as we bring our projection of distribution closer to the budget are more “Maintenance Cap Ex” and an arbitrarily cautious expectation for the price of Syncrude Sweet Premium compared to the Light, Sweet Crude oil industry benchmark (see table Next Twelve Months Operating and Financial Estimates). Ironically, despite the possible inhibiting impact on distributions, accelerated maintenance is a sign of strength. The Syncrude partners are able to take advantage of lower labor and contractor costs in the changed industry conditions. As a result, the oil sands mine and upgrader will be able to operate longer without interruption when oil price rises again. In these uncertain times, we believe units of financially secure COSWF represent ownership of one of the choicest long-term assets in the global oil and gas industry.

Kurt H. Wulff, CFA



Independent Stock Idea

December 10, 2008

Canadian Oil Sands Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
									Next Twelve Months
	Q4	Q3	Q4E	Year	Q1E	Q2E	Q3E	Q4E	12/31/09
	12/31/07	9/30/08	12/31/08	2008E	3/31/09	6/30/09	9/30/09	12/31/09	12/31/09
Volume									
Syncrude (mmb)	28.8	29.1	28.5	106.0	28.4	28.7	29.0	29.0	115.1
Syncrude (mbd)	313	316	310	290	315	315	315	315	315
Days	92	92	92	366	90	91	92	92	365
Trust share (%)	37.2	36.9	36.7	36.9	36.7	36.7	36.7	36.7	36.7
Trust Oil (mmb)	10.71	10.73	10.48	39.1	10.43	10.54	10.66	10.66	42.3
Trust Oil (mbd)	116.4	116.7	113.9	106.9	115.9	115.9	115.9	115.9	115.9
Price									
WTI Cushing (US\$/bbl)	90.67	117.99	59.23	99.78	46.23	51.57	54.62	57.15	52.39
Currency (US\$/C\$)	1.02	0.96	0.80	0.95	0.80	0.80	0.80	0.80	0.80
WTI Cushing (C\$/bbl)	88.91	122.77	74.31	105.18	58.00	64.70	68.53	71.70	65.73
Differential	(0.41)	4.78	1.00	2.96	(2.00)	(2.00)	(2.00)	(2.00)	(1.95)
Trust Oil Price (C\$/bbl)	88.50	127.55	75.31	108.14	56.00	62.70	66.53	69.70	63.78
Henry Hub Nat Gas (US\$/mmBtu)	6.97	10.25	6.95	9.04	5.60	5.79	6.11	6.74	6.06
Henry Hub Nat Gas (C\$/mmBtu)	6.84	10.66	8.72	9.53	7.03	7.26	7.66	8.46	7.60
AECO Natural Gas (C\$/GJ)	5.84	7.86	7.45	8.00	6.37	6.17	5.65	7.22	6.35
Revenue (\$mm)									
Oil	947	1,369	789	4,231	584	661	709	743	2,697
Transportation & Marketing	8	9		27					-
Other	(11)	(19)		(46)					-
Total	950	1,379	789	4,251	584	661	709	743	2,697
Expense									
Production	234	276	276	1,100	265	265	265	265	1,060
Purchased Energy	59	69	73	290	62	60	56	72	250
Crown Royalties	137	231	87	627	41	61	74	79	255
Insurance	2	2	2	7	2	2	2	2	8
Administration	6	3	3	19	5	5	5	5	20
Taxes and Other	-	-	3	3	3	3	3	3	12
Total	438	581	444	2,047	378	396	405	425	1,605
Ebitda	512	798	345	2,204	206	265	304	318	1,093
Deprec., Deplet., & Amort.	91	121	121	446	121	121	121	121	484
Currency Hedging	(3)	(1)		(3)					-
Non-Production	14	21	21	75	22	22	22	22	88
Exchange on U.S. Debt	(5)	32		53					-
Future Income Tax	(118)	6		(18)					-
Ebit	533	619	203	1,651	63	122	161	175	521
Interest	17	16	16	65	13	13	13	13	52
Net Income (\$mm)	516	603	187	1,586	50	109	148	162	469
Per Unit (\$)	1.07	1.25	0.39	3.30	0.10	0.23	0.31	0.34	0.97
Units (millions)	479	482	482	481	482	482	482	482	482
Ebitda - NonProd - Interest	481	761	308	2,064	171	230	269	283	953
Maintenance Cap Ex		72	70		110	110	110	110	440
Free Cash Flow		688	238		61	120	159	173	513
Free Cash Flow (C\$/unit)	0.77	1.43	0.49	3.70	0.13	0.25	0.33	0.36	1.06
Ratios									
Production (\$/bbl)	21.84	25.68	26.30	28.11	25.41	25.13	24.86	24.86	25.06
Purchased Energy (\$/bbl)	5.53	6.47	6.93	7.42	5.93	5.74	5.25	6.72	5.91
Prod&Purch En (\$/bbl)	27.37	32.15	33.23	35.53	31.33	30.87	30.11	31.57	30.97
Crown Royalties & Taxes	14%	17%	11%	15%	7%	9%	10%	11%	9%
Other Expense (\$/bbl)	-	-	0.29	0.08	0.29	0.28	0.28	0.28	0.28
Ebitda Margin	54%	58%	44%	52%	35%	40%	43%	43%	41%
Deprec., D.& A (\$/bbl)	8.50	11.27	11.55	11.40	11.60	11.47	11.35	11.35	11.44
Distribution	0.55	1.25	0.75	3.75	0.13	0.25	0.33	0.36	1.06

Please see disclosures on the final page.

Page 2



Independent Stock Idea

December 10, 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.