

Rating: None  
S&P 500: 1279

## Canadian Natural Resources Raise NPV to \$75 a Share

<i>Symbol</i>	CNQ	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	7,100
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	34
<i>Price (US\$/sh)</i>	54.10	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/2/06	<i>Adjusted Reserves/Production NTM</i>	7.1
<i>Shares (mm)</i>	537	<i>EV/Ebitda</i>	5.5
<i>Market Capitalization (US\$mm)</i>	32,000	<i>PV/Ebitda</i>	6.7
<i>Debt (US\$mm)</i>	7,100	<i>Undeveloped Reserves (%)</i>	31
<i>Enterprise Value (EV) (US\$mm)</i>	39,100	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	6.30
<i>Present Value (PV) (US\$mm)</i>	47,400	<i>Present Value Proven Reserves(US\$/boe)</i>	21.93
<i>Net Present Value (US\$/share)</i>	75	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.65
<i>Debt/Present Value</i>	0.15	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.65
<i>McDep Ratio - EV/PV</i>	0.82	<i>Price/Earnings Next Twelve Months</i>	16
<i>Dividend Yield (%/year)</i>	0.4	<i>Indicated Annual Dividend (US\$/sh)</i>	0.27

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

### Summary

**Canadian Natural Resources (CNQ)** stock offers 39% appreciation potential to estimated net present value (NPV) of US\$75 a share, up from US\$66. The estimate presumes a long-term oil price of \$60 a barrel, up from \$50. We increase our estimate of the present value of the Horizon Project by 25% in line with gains for other oil sands mining projects. Presumably the new estimate can withstand the inflationary pressures becoming more evident. We increase the value for other oil production, mostly oil sands *in situ*, by 26% and offset that by 14% for hedging. The value of oil is also supported by the current correlation with adjusted reserve life and next twelve months (NTM) cash flow. The NTM projection benefits from a restoration of the heavy oil price to less of a steep discount in the second quarter reported on August 2. Though we do not project a seasonal widening that may recur we also do not project volume gains that may occur. A McDep Ratio of 0.82 implies that the stock market may be valuing oil at some \$49 a barrel in CNQ stock while the average price in the futures market for the next six years is \$75.

Kurt H. Wulff, CFA

**Canadian Natural Resources**  
**Functional Cash Flow and Present Value**

	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<u><i>Ebitda</i></u>	<u><i>R/P</i></u>	<u><i>Ebitda</i></u>	<u><i>Value</i></u>	
North American Natural Gas	2,450	5.9	5.3	13,000	27%
Oil	4,650	8.0	4.7	21,900	46%
Horizon (risked at 75%)				12,500	26%
	7,100	7.1	6.7	47,400	100%
Debt					7,100
Net Present Value (US\$mm)					40,300
Shares					537
Net Present Value - Standard Estimate (US\$/sh)					75
Net Present Value - Approximation by Correlation (US\$/sh)					77

**Canadian Natural Resources**  
**Next Twelve Months Operating and Financial Estimates**  
(Canadian Dollars)

	<i>Q2</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next</i>
	<i>6/30/05</i>	<i>2005</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>Twelve</i>
									<i>Months</i>
									<i>3/31/07</i>
<b>Volume</b> (before royalty)									
Natural Gas (mmcf)	1,454	<b>1,439</b>	1,436	1,475	1,475	1,475	<b>1,465</b>	1,475	<b>1,475</b>
Oil (mbd)	289	<b>313</b>	324	338	338	338	<b>335</b>	338	<b>338</b>
Total (bcf)	290	<b>1,211</b>	304	319	322	322	<b>1,268</b>	315	<b>1,279</b>
Total (mmcf)	3,188	<b>3,318</b>	3,380	3,503	3,503	3,503	<b>3,473</b>	3,503	<b>3,503</b>
<b>Price</b>									
Henry Hub (US\$/mmbtu)	6.76	<b>8.65</b>	8.97	6.81	7.44	9.79	<b>8.25</b>	11.62	<b>9.40</b>
Currency (US\$/C\$)	0.80	<b>0.83</b>	0.87	0.89	0.88	0.88	<b>0.88</b>	0.88	<b>0.88</b>
Henry Hub (C\$/mmbtu)	8.41	<b>10.36</b>	10.31	7.63	8.41	11.07	<b>9.36</b>	13.13	<b>10.63</b>
Differential (C\$/mmbtu)	1.08	<b>1.79</b>	2.01	1.47	1.62	2.14	<b>1.82</b>	2.54	<b>2.06</b>
Company (C\$/mcf)	7.33	<b>8.57</b>	8.30	6.16	6.78	8.93	<b>7.54</b>	10.60	<b>8.57</b>
WTI Cushing (US\$/bbl)	53.05	<b>56.31</b>	63.33	70.47	74.40	76.40	<b>71.15</b>	77.82	<b>76.74</b>
WTI Cushing (C\$/bbl)	66.00	<b>67.46</b>	72.79	79.00	84.12	86.37	<b>80.66</b>	87.98	<b>86.77</b>
Differential (C\$/bbl)	23.49	<b>20.50</b>	29.00	18.95	16.18	16.61	<b>20.01</b>	16.92	<b>15.70</b>
Company (C\$/bbl)	42.51	<b>46.96</b>	43.79	60.05	67.94	69.76	<b>60.65</b>	71.06	<b>71.07</b>
Total (\$/bbl)	43.18	<b>48.89</b>	46.34	50.33	56.47	62.95	<b>54.14</b>	67.91	<b>62.78</b>
<b>Revenue</b> (\$mm)									
Natural Gas	970	<b>4,500</b>	1,073	827	921	1,212	<b>4,032</b>	1,407	<b>4,611</b>
Oil	1,118	<b>5,367</b>	1,277	1,847	2,113	2,169	<b>7,406</b>	2,162	<b>8,768</b>
Total	2,088	<b>9,867</b>	2,350	2,674	3,033	3,381	<b>11,438</b>	3,569	<b>13,379</b>
<b>Expense</b>	740	<b>3,597</b>	978	899	1,136	1,366	<b>4,378</b>	1,478	<b>5,344</b>
<b>Ebitda</b> (\$mm)	1,347	<b>6,270</b>	1,372	1,775	1,897	2,016	<b>7,060</b>	2,091	<b>8,035</b>
Exploration									
Deprec., Deplet., & Amort.	501	<b>2,048</b>	538	573	573	573	<b>2,257</b>	573	<b>2,292</b>
Hedging	96	<b>940</b>	396	381	489	545	<b>1,810</b>	585	<b>2,218</b>
Interest	40	<b>149</b>	25	28	28	28	<b>109</b>	28	<b>112</b>
<b>Ebt</b>	710	<b>3,133</b>	413	793	808	870	<b>2,884</b>	905	<b>3,413</b>
Income tax	249	<b>1,096</b>	145	278	283	304	<b>1,009</b>	317	<b>1,195</b>
<b>Net Income</b> (\$mm)	462	<b>2,036</b>	269	516	525	565	<b>1,874</b>	588	<b>2,219</b>
Per share (\$)	0.86	<b>3.79</b>	0.50	0.96	0.98	1.05	<b>3.49</b>	1.10	<b>4.13</b>
<b>Shares</b> (millions)	537	<b>537</b>	537	537	537	537	<b>537</b>	537	<b>537</b>
Ebitda margin	65%	<b>64%</b>	58%	66%	63%	60%	<b>62%</b>	59%	<b>60%</b>
Tax rate	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	35%	<b>35%</b>