



Independent Stock Idea

April 30, 2010

rating: buy
s&p 500: 1207

Canadian Oil Sands Trust (COSWF) Distribution Raised 43% to C\$0.50 a Quarter

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 3/31/11 (US\$mm)</i>	1,850
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-5
<i>Price (US\$/un)</i>	31.03	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/29/10	<i>Adjusted Reserves/Production NTM</i>	31.4
<i>Units (mm)</i>	484	<i>EV/Ebitda</i>	8.9
<i>Market Capitalization (US\$mm)</i>	15,000	<i>PV/Ebitda</i>	10.7
<i>Debt (US\$mm)</i>	1,400	<i>Probable Reserves (%)</i>	48
<i>Enterprise Value (EV) (US\$mm)</i>	16,400	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	40.39
<i>Present Value (PV) (US\$mm)</i>	19,800	<i>Present Value Proven and Probable Reserves(US\$/boe)</i>	23.32
<i>Net Present Value (US\$/unit)</i>	38	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	48
<i>Debt/Present Value</i>	0.07	<i>Earnings Next Twelve Months (US\$/unit)</i>	2.41
<i>McDep Ratio - EV/PV</i>	0.83	<i>Price/Earnings Next Twelve Months</i>	13
<i>Distribution Yield (%/year)</i>	6.4	<i>Distribution Next Twelve Months (US\$/unit)</i>	1.99
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, \$8 a million btu.			
For historical analysis of COS since 2002 see www.mcdep.com/4cos.htm			

Summary and Recommendation

Buy-recommended **Canadian Oil Sands Trust (COSWF)** offers unlevered appreciation potential of 21% to a McDep Ratio of 1.0 where stock price would equal Net Present Value (NPV) of US\$38 a share. Providing some good news at the start of the annual meeting on April 29 after the market close, management announced a long-awaited increase in quarterly distribution to C\$0.50 a unit. New guidance issued along with first quarter results points to further increases in cash flow for distributions as the Syncrude mining and upgrading facility reaches full capacity in the fourth quarter (see table [Next Twelve Months Operating and Financial Estimates](#)). At the same time, the trust will become a corporation as the Canadian government intends to raise taxes on trusts. A low debt ratio places COSWF in a strong position to finance some of its expansion with debt in order to earn the deductions that would facilitate continued tax-efficient dividends. Moderate capital spending will be required to expand oil sands capacity by 70% to 600,000 barrels daily (bd) from current capacity of 350,000 bd. Finally, while no one wishes to see another's misfortune, the tragedy unfolding in deep water offshore oil may make all other sources of energy supply more valuable, including oil sands in Canada. The fallout from the Gulf of Mexico accident may strengthen the trend in futures prices of oil for the next six years currently at \$92 a barrel and above the 40-week average of \$85 (see chart [Six-Year Commodity Price Meter](#)).

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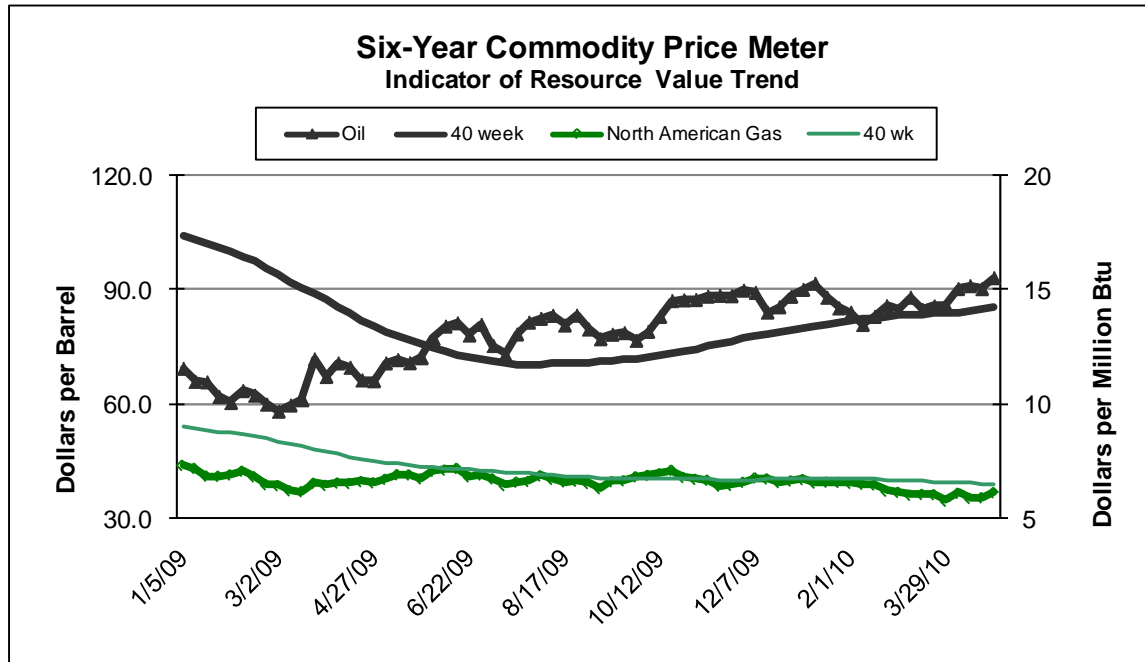
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Canadian Oil Sands Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
									Next Twelve Months
	Q1 3/31/09	Q4 12/31/09	Q1 3/31/10	Q2E 6/30/10	Q3E 9/30/10	Q4E 12/31/10	Year 2010E	Q1E 3/31/11	3/31/11
Volume									
Syncrude (mmb)	24.6	30.5	24.2	30.0	28.5	32.2	115.0	31.5	122.3
Syncrude (mmbd)	274	331	269	330	310	350	315	350	335
Days	90	92	90	91	92	92	365	90	365
Trust share (%)	37.6	36.0	36.9	36.7	36.7	36.7	36.8	36.7	36.7
Trust Oil (mmb)	9.25	10.97	8.94	11.03	10.48	11.83	42.3	11.57	44.9
Trust Oil (mmbd)	102.8	119.3	99.3	121.2	113.9	128.6	115.8	128.6	123.1
Price									
WTI Cushing (US\$/bbl)	42.96	76.09	78.67	84.20	87.73	89.91	85.13	90.35	88.05
Currency (US\$/C\$)	0.80	0.95	0.96	0.99	0.99	0.99	0.99	0.99	0.99
WTI Cushing (C\$/bbl)	53.43	80.35	81.82	84.66	88.21	90.40	86.27	90.84	88.52
Differential	1.79	(1.68)	0.24	(2.00)	(2.00)	(2.00)	(1.25)	(2.00)	(1.94)
Trust Oil Price (C\$/bbl)	55.22	78.67	82.06	82.66	86.21	88.40	85.02	88.84	86.59
Henry Hub Nat Gas (US\$/mmBtu)	4.90	4.16	5.32	4.15	4.54	5.09	4.78	5.43	4.80
Henry Hub Nat Gas (C\$/mmBtu)	6.09	4.40	5.53	4.17	4.57	5.11	4.84	5.46	4.83
AECO Natural Gas (C\$/GJ)	4.96	4.33	4.95	3.73	4.09	4.58	4.34	4.89	4.32
Revenue (C\$m)									
Oil	511	863	733	912	903	1,046	3,594	1,028	3,889
Other	(1)	(0)	(1)				(1)		-
Total	512	864	734	912	903	1,046	3,595	1,028	3,889
Expense (C\$m)									
Production	308	284	307	319	319	319	1,264	319	1,276
Purchased Energy	51	47	47	44	46	58	195	61	208
Crown Royalties	4	93	78	115	113	139	445	137	504
Insurance	2	3	2	2	2	2	8	3	9
Administration	6	6	8	8	8	8	32	7	31
Total	371	433	442	488	488	526	1,944	526	2,028
Ebitda	141	431	292	424	416	519	1,651	502	1,861
Deprec., Deplet., & Amort.	106	312	103	103	103	103	412	150	459
Non-Production	33	35	36	36	36	36	144	37	145
Exchange on U.S. Debt	29	(23)	(33)				(33)		-
Other	(90)	(13)	(9)				(9)		-
Ebit	63	120	195	285	277	380	1,138	315	1,257
Interest	20	23	26	21	21	21	89	23	86
Net Income (C\$m)	43	97	169	264	256	359	1,049	292	1,171
Per Unit (C\$)	0.09	0.20	0.35	0.55	0.53	0.74	2.17	0.60	2.42
Units (millions)	482	484	484	484	484	484	484	484	484
Ebitda minus Interest	121	408	266	403	395	498	1,562	479	1,775
Per Unit (C\$)	0.25	0.84	0.55	0.83	0.82	1.03	3.23	0.99	3.67
Ratios									
Production (C\$/bbl)	33.26	25.86	34.38	28.91	30.44	26.96	29.90	27.56	28.41
Purchased Energy (C\$/bbl)	5.54	4.31	5.23	3.99	4.37	4.90	4.60	5.23	4.64
Prod&Purch En (C\$/bbl)	38.79	30.16	39.62	32.91	34.82	31.86	34.51	32.79	33.05
Crown Royalties & Taxes	1%	11%	11%	13%	12%	13%	12%	13%	13%
Ebitda Margin	28%	50%	40%	46%	46%	50%	46%	49%	48%
Deprec., D,& A (C\$/bbl)	11.45	28.43	11.53	9.34	9.83	8.71	9.75	12.96	10.22
Distribution (C\$/unit)	0.15	0.35	0.35	0.50	0.50	0.50	1.85	0.50	2.00



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