Canadian Oil Sands

first quarter report

Canadian Oil Sands Trust announces 2006 first quarter results and a 50 per cent distribution increase

Calgary, Alberta (April 25, 2006) – Canadian Oil Sands Trust ("Canadian Oil Sands" or the "Trust" or "we") (TSX - COS.UN) today announced a 50 per cent increase in funds from operations for the first quarter of 2006 to $141 million, or $1.52 per Trust Unit ("Unit"), from the same quarter of 2005, reflecting strong crude oil prices and higher average daily production offset by an increase in operating and non-production costs. The Trust also is declaring a 50 per cent increase in its quarterly distribution to $1.50 per Unit, pre-split, (or to $0.30 per Unit assuming a 5:1 Unit split on May 3, 2006) for Unitholders of record on May 8, 2006, payable on May 31, 2006.

"We are very pleased to announce the second distribution increase within the last six months," said Marcel Coutu, President and Chief Executive Officer. "This latest distribution increase of 50 per cent over our previous payout signals to our Unitholders the imminent growth in crude oil volumes through our Stage 3 project and our ability to achieve our net debt objective of $1.2 billion near the end of the year. We are looking forward to the ramp up of our Stage 3 expansion with its main unit, Coker 8-3, expected to be operating in May."

First Quarter 2006 overview

- Funds from operations rose 50 per cent to $141 million, or $1.52 per Unit, in the first quarter of 2006 compared to $94 million, or $1.02 per Unit for the same 2005 quarter.
- Net income was $91 million, or $0.98 per Unit, in the first quarter of 2006, up from $59 million, or $0.64 per Unit, in the first quarter of 2005. Net income before unrealized foreign exchange and future income tax, which management believes is a better measure of operational performance than net income, was $87 million, or $0.94 per Unit, in the first quarter of 2006 compared to $60 million, or $0.65 per Unit, in the same period of 2005.
- Revenues after transportation and marketing expense and before hedging rose to $466 million in the first quarter of 2006, up 38 per cent from the comparable 2005 quarter. The first quarter 2006 performance reflects a continuing robust realized selling price for our Syncrude ™ Sweet Blend ("SSB") product and a 24 per cent increase in sales volumes, which totaled 6.7 million barrels. Extensive turnaround and maintenance work reduced production and increased operating costs in both first quarters of 2006 and 2005.

- The Trust's net realized selling price for our SSB product increased 10 per cent in the first quarter of 2006 to $69.17 per barrel before hedging, compared to the same period in 2005. Differentials for light Canadian crudes relative to WTI weakened during the first quarter of 2006. Our SSB crude oil realized a weighted-average discount of $4.39 per barrel compared to average Canadian dollar WTI in the first quarter of 2006 versus a $1.51 per barrel premium in the first quarter of 2005.
- Operating costs in the first quarter of 2006 increased to $271 million, or $40.26 per barrel, from $206 million, or $38.13 per barrel, in the same quarter of 2005. A high level of turnaround and maintenance activity impacted unit costs in both 2006 and 2005.
- Capital expenditures totalled $137 million in the first quarter of 2006, down 27 per cent over the previous year's comparable quarter. Approximately 71 per cent of first quarter 2006 total capital expenditures was directed to the Stage 3 expansion.
- Net debt to book capitalization was 33 per cent in the first quarter of 2006, similar to December 31, 2005.

CANADIAN OIL SANDS TRUST
Highlights

(millions of Canadian dollars, except Trust unit and volume amounts)

	Three Months Ended March 31	
	2006	2005
Net Income	$ 91	$ 59
Per Trust unit- Basic	$ 0.98	$ 0.64
Per Trust unit- Diluted	$ 0.98	$ 0.64
Funds From Operations	$ 141	$ 94
Per Trust unit	$ 1.52	$ 1.02
Unitholder Distributions	$ 93	$ 46
Per Trust unit	$ 1.00	$ 0.50
Syncrude Sweet Blend Sales Volumes *		
Total (MMbbls)	6.7	5.4
Daily average (bbls)	74,929	59,897
Per Trust unit (bbls/Trust unit)	0.1	0.1
Operating Costs per barrel	$ 40.26	$ 38.13
Net Realized Selling Price per barrel		
Sales revenue	$ 70.46	$ 64.21
Transportation and marketing expense	(1.29)	(1.55)
Realized selling price before hedging	$ 69.17	$ 62.66
Crude oil price hedging gains (losses)	-	-
Currency hedging gains (losses)	1.07	1.00
Net realized selling price	$ 70.24	$ 63.66
West Texas Intermediate ($US per barrel)	$ 63.48	$ 50.03

* The Trust's sales volumes may differ from its production volumes due to changes in inventory, which are primarily in-transit pipeline volumes.

Annual and Special Meeting of Unitholders

Canadian Oil Sands Trust’s Annual and Special Meeting of Unitholders will be held on April 25, 2006. A live audio Web cast of the meeting will be available on our Web site at www.cos-trust.com under investor information, presentations and Web casts. An archive of the Web cast will be available approximately one hour following the meeting.

First quarter production impacted by planned coker turnaround

Figures provided below are the gross Syncrude numbers and are not the Trust’s net share.

SSB production during the first quarter of 2006 totalled 18.4 million barrels, or approximately 205,000 barrels per day, slightly higher than our estimate of 18 million barrels for the quarter and 30 per cent higher than production during the first quarter of last year. First quarter 2006 production reflects extensive planned maintenance and turnaround work on over 10 units, including Coker 8-1. The coker maintenance took approximately 10 days longer than the 40 days estimated, resulting in higher than anticipated

turnaround costs. The extension was mainly because of additional coke transfer line repair work and a prolonged coker start-up. As well, a crane upset temporarily required evacuation of part of the site. By the commencement of its turnaround, Coker 8-1 completed its longest ever run of 825 days, surpassing its previous best of 786 days. First quarter 2005 production was also impacted by the turnaround of Coker 8-2 and associated upgrading and environmental units as well as repairs to a hydrogen plant.

In March 2006, Syncrude retired the last dragline and bucket-wheel system of oil sands recovery from its Base Mine operations. All of Syncrude's mining operations now employ the truck and shovel system. Syncrude expects to fully mine-out the Base Mine by mid 2006, replacing production from this mine with new mining trains in the North and Aurora North Mines through the South West Quadrant Replacement project.

Safety performance slipped during the first quarter of 2006 with Syncrude employees and contractors recording six lost-time injuries for a lost time injury rate of 0.15 per 200,000 workforce hours. While not as strong as past Syncrude performance, this rate continues to be well below the provincial average of 2.9.

Syncrude Canada Ltd. has, for the third time, earned gold level accreditation in the Progressive Aboriginal Relations program of the Canadian Council for Aboriginal Business. The accreditation follows a rigorous self-assessment by Syncrude of its work in the area of Aboriginal Development and independent verification of the self-assessment by the National Quality Institute.

Stage 3 on-line in May 2006

The third fluid coker that was constructed as part of the Stage 3 project is expected to begin receiving bitumen feed in May 2006, which is the most significant step in bringing the project into full operations as incremental production is expected to commence shortly after the "feed-in" date.

"Stage 3 is an ambitious project aimed at integrating a massive expansion of productive capacity within an existing operation, modernizing those operations, enhancing the quality of our product, improving environmental performance, and providing pre-built capacity for a future debottlenecking growth stage," said Charles Ruigrok, Syncrude's Chief Executive Officer. "I am proud of what we have accomplished with all of these deliverables about to be realized."

An aromatics saturation unit constructed as part of the Stage 3 expansion is designed to improve our product quality to Syncrude™ Sweet Premium (SSP) for all barrels produced. This unit has been operating since early November 2005, processing light gas oil while a major revamp of an existing light gas oil hydrotreater is being conducted. With the start-up of Stage 3, the aromatics saturation unit will be available to produce SSP. As our refinery customers become accustomed to the new blend and its better

quality attributes, namely its distillation properties, lower sulphur, and higher cetane and kerosene smoke points, we expect the higher value of the product to be recognized in our marketplace.

The cost estimate to bring the Stage 3 project into operation remains at $8.4 billion gross to Syncrude, but ancillary costs, such as final site clean-up and recently identified improvements, totalling approximately $150 million gross to Syncrude, are expected to be incurred following start-up of the units. Net to Canadian Oil Sands, capital expenditures are expected to total $367 million in 2006 with approximately $158 million directed to the Stage 3 expansion.

Changes to distribution reinvestment plan (DRIP) proposed

The Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan (“DRIP”) was designed and introduced to support the Trust’s financing plan for the Stage 3 expansion. With funding for Stage 3 largely completed, the DRIP now helps to accelerate debt reduction. Based on crude oil prices remaining robust, we expect to reach our net debt target around the end of 2006; accordingly, the Trust plans to modify the DRIP at that time to allow only reinvestment of distributions at a volume-weighted average market price with no discount. The other following options currently available would be phased out: the option to reinvest distributions at 95 per cent of the volume-weighted average market price (distribution reinvestment option); or, for Canadian resident unitholders only, the alternative of receiving, in cash, up to 102 per cent of the declared distribution (premium distribution option); and, also for Canadian resident Unitholders only, the option to purchase additional Units for cash, without fees, at the volume-weighted average market price once enrolled in the Plan (optional cash purchase of additional units).

Eligible Unitholders who wish to participate in the Trust’s current DRIP must file their election form, in the case of registered Unitholders, with Computershare Trust Company of Canada at the number or address noted on the enrolment forms **before the May 8, 2006 record date**. Unitholders who hold their Units in the name of a broker should contact their broker to ensure that the proper election forms are completed and sent in before May 8, 2006. Information on the plan and enrolment forms are available on the Trust’s web site or by calling Investor Relations.

Foreign ownership update

Based on information from the statutory declarations by Unitholders, we estimate that, as of February 6, 2006, approximately 33 per cent of our Unitholders are non-Canadian residents with the remaining 67 per cent being Canadian residents. Canadian Oil Sands’ Trust Indenture provides that not more than 49 per cent of its Units can be held by non-Canadian residents.

The Trust continues to monitor its foreign ownership levels on a regular basis through declarations from Unitholders. The next declarations to be requested will be as of May 8, 2006. The Trust plans to post the

results of the declarations on its web site at www.cos-trust.com under investor information, frequently asked questions. This section of the web site and page 45 of the Management's Discussion and Analysis section of the Trust's 2005 annual report describe the Trust's steps for managing its non-Canadian resident ownership levels.

2006 Outlook

The following provides Canadian Oil Sands' outlook for 2006 as of April 25, 2006 and is subject to change without notice. Certain information regarding the Trust and Syncrude set forth below, including management's assessment of the Trust's future production revenues and costs for 2006, the maintenance schedule for the remainder of 2006, crude oil prices for the year, and the start-up and production from Stage 3 in 2006, may constitute forward-looking statements under applicable securities law. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expects" and similar expressions. These statements represent management's current expectations and beliefs based on information known today. However, by their nature, forward-looking statements necessarily involve risks and uncertainties, known and unknown, which may cause actual performance and financial results in future periods to materially differ from the estimations or results expressed or implied by such forward-looking statements. For more detail on the factors and risks that could potentially impact the outlook, please refer to the Management's Discussion and Analysis section of the first quarter 2006 report and the April 25, 2006 guidance document, as well as the risk factors contained in the Trust's annual information form, all of which are available on the Trust's web site at www.cos-trust.com under investor information. The information in these sections is all forward-looking, and as such, is qualified by this advisory. Unless required by law, the Trust assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

- We have reduced the high end of our estimate for 2006 Syncrude production by four million barrels with the range now between 95 to 106 million barrels, or 34 to 38 million barrels net to the Trust based on our 35.49 per cent interest. Our original upper end production estimate of 110 million barrels had reflected the possibility of Stage 3 volumes coming on-stream earlier. The single point estimate is unchanged at 100 million barrels, or 35 million barrels net to the Trust. No major maintenance or turnaround activity is planned for the remainder of 2006. Production in the second quarter of 2006 is expected to total about 24 million barrels, or 8.5 million barrels net to the Trust, which reflects Stage 3 production commencing in May. Assuming a reasonable line-out period to optimize the different Stage 3 units as we ramp up to our productive capacity of 128 million barrels, or 45 million barrels net to the Trust, we expect to exit 2006 at 90 per cent of that capacity, equivalent to about 315,000 barrels per day gross to Syncrude, or 112,000 barrels per day net to the Trust.
- Funds from operations in 2006 are anticipated to total $1,033 million, or $11.08 per Unit, based on an average WTI crude oil price of US$60.00 per barrel and a foreign exchange rate of $0.875 US/Cdn for the year. Revenues are estimated at approximately $2.3 billion in 2006, with operating costs of $941 million, or $26.52 per barrel, including $8.48 per barrel of purchased energy, which reflects an estimated $9.00/ gigajoule ("GJ") natural gas price and per unit

consumption of approximately 0.94 GJs per barrel. In addition, funds from operations reflect the increase to the full 25 per cent Crown royalty rate in 2006.

- Capital expenditures are expected to total $367 million in 2006 with approximately $158 million directed to the Stage 3 expansion. Our estimate for 2006 capital expenditures increased from our guidance provided on January 25, 2006. The cost estimate to bring the Stage 3 project into operation remains at $8.4 billion gross to Syncrude, but ancillary costs, such as final site clean up and recently identified improvements, totalling approximately $150 million gross to Syncrude, are expected to be incurred following start up of the units.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared as of April 25, 2006 and should be read in conjunction with the unaudited interim consolidated financial statements of Canadian Oil Sands Trust ("Canadian Oil Sands" or the "Trust") for the three month period ended March 31, 2006 as well as the audited consolidated financial statements and MD&A of the Trust for the year ended December 31, 2005.

ADVISORY- in the interest of providing the Trust's Unitholders and potential investors with information regarding the Trust, including management's assessment of the Trust's future production and cost estimates, plans and operations, certain statements throughout this MD&A contain "forward-looking statements" under applicable securities law. Forward-looking statements in this M&DA include, but are not limited to, statements with respect to: the anticipated date for feed into Coker 8-3 and the resulting increased production by mid 2006, production estimates for each quarter and the full year and the remainder of 2006, the view that future financing risks are not significant, the expected realized selling price for Canadian Oil Sands' product as expressed as the differential to WTI, the level of natural gas consumption post Stage 3 and the expected impact that supplying more bitumen from Auroroa North will have on that consumption, the anticipated capital expenditures for 2006 including the amount attributable to the Stage 3 expansion, the costs to bring Stage 3 into operations and the expected ancillary costs for UE-1 post start-up, the expected increase in demand and the expected higher price for SSP compared to SSB, the plans to revise the DRIP, the view that Stage 3 will increase production and sales, thereby increasing free cash flow, the timing regarding reaching the Trust's net debt target, the need for future hedging, the return achieved from sales of Syncrude Sweet Premium, the expected price for crude oil and natural gas in 2006, the expected revenues and operating costs for 2006; the expected funds from operations for 2006, the anticipated impact that certain factors such as natural gas and oil prices, foreign exchange and operating costs have on the Trust's funds from operations and net income, and the expected costs relating to the anticipated higher Crown royalty payments. You are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Trust believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to: labour shortages and the productivity achieved from labour in the Fort McMurray area, the impact of technology on operations and processes and how new complex technology may not perform as expected, the supply and demand metrics for oil and natural gas, the impact that pipeline capacity and refinery demand have on prices for our products, normal risks associated with litigation, general economic, business and market conditions, regulatory changes, the variances of stock market activities generally, and such other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by the Trust. You are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and unless required by law, the Trust does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

REVIEW OF SYNCRUDE OPERATIONS

During the first quarter of 2006, Syncrude oil production totalled 18.4 million barrels, or 6.5 million barrels net to the Trust based on its 35.49 per cent working interest, slightly exceeding the 18.0 million barrel estimate provided in the 2005 annual report. An extensive maintenance schedule was completed in the quarter with turnarounds on over 10 units including Coker 8-1. The coker maintenance took approximately 10 days longer than the 40 day estimate provided in the fourth quarter 2005, due mainly to additional coke transfer line repair work, a prolonged coker start-up, and a crane upset, resulting in higher than anticipated turnaround costs.

Syncrude's first quarter 2006 production of approximately 205,000 barrels per day, or 73,000 barrels per day net to the Trust, exceeded that of the same period of 2005, which averaged 157,000 barrels per day, or 56,000 barrels per day net to the Trust. Production in both quarters was impacted by extensive turnaround schedules. Because turnaround costs are expensed in the period incurred and production is reduced during maintenance, per barrel operating costs rise significantly in quarters with heavy maintenance activity. Operating costs averaged $40.26 per barrel in the first quarter of 2006 compared with $38.13 per barrel in the same quarter last year.

The Stage 3 expansion continued to progress during the first quarter of 2006 with first feed into Coker 8-3 anticipated in May 2006, achieving the mid-2006 forecast for the Stage 3 expansion start-up. A significant increase in Syncrude production is therefore anticipated to occur in the second quarter of 2006. We are maintaining our single point estimate of 100 million barrels of Syncrude production provided in our 2006 guidance document. However, as the high end of the Syncrude production range did incorporate the possibility of an earlier Stage 3 start-up, we are narrowing our forecast for Syncrude production to range between 95 and 106 million barrels.

The Trust's production volumes may differ from its sales volumes due to changes in inventory, which are primarily in-transit pipeline volumes. The impact of Syncrude's first quarter operations on Canadian Oil Sands' financial results is more fully discussed later in this MD&A.

SUMMARY OF QUARTERLY RESULTS

($ millions, except per Trust unit and volume amounts)	2006	2005				2004		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues, after transportation and marketing expense	$ 473	$ 519	$ 612	$ 492	$ 344	$ 333	$ 359	$ 341
Net income	$ 91	$ 174	$ 380	$ 219	$ 59	$ 122	$ 186	$ 98
Per Trust unit, Basic	$ 0.98	$ 1.88	$ 4.13	$ 2.38	$ 0.64	$ 1.34	$ 2.06	$ 1.12
Per Trust unit, Diluted	$ 0.98	$ 1.87	$ 4.13	$ 2.38	$ 0.64	$ 1.34	$ 2.06	$ 1.12
Funds from operations	$ 141	$ 264	$ 364	$ 284	$ 94	$ 122	$ 157	$ 155
Per Trust unit	$ 1.52	$ 2.86	$ 3.96	$ 3.09	$ 1.02	$ 1.33	$ 1.75	$ 1.77
Daily average sales volumes (bbls)	74,929	78,318	85,942	79,506	59,897	78,294	86,635	85,116
Net realized selling price, after hedging ($/bbl)	$ 70.24	$ 72.07	$ 77.43	$ 68.03	$ 63.66	$ 46.29	$ 45.07	$ 44.00
Operating costs ($/bbl)	$ 40.26	$ 25.54	$ 23.61	$ 21.35	$ 38.13	$ 21.27	$ 20.60	$ 19.00
Purchased natural gas price ($/GJ)	$ 7.42	$ 10.73	$ 8.31	$ 6.94	$ 6.45	$ 6.40	$ 6.18	$ 6.39

Quarterly variances in revenues, net income, and funds from operations are caused mainly by fluctuations in crude oil prices, production, unit operating costs, and natural gas prices. A large proportion of operating costs are fixed, and as such, unit operating costs are highly variable to production. While the supply/demand balance for crude oil affects selling prices, the impact of this equation is difficult to predict and quantify and has not displayed significant seasonality. Maintenance and turnaround activities are typically scheduled to occur in the first or second quarter. However, the exact timing of unit shutdowns cannot be precisely scheduled, and unplanned outages will occur. Therefore production levels also may

not display reliable seasonality patterns or trends. Natural gas prices are typically higher in winter months as heating demand rises, but this seasonality is significantly influenced by weather conditions.

REVIEW OF FINANCIAL RESULTS

In order to provide meaningful information to our Unitholders, the focus of our MD&A is to provide explanations of material variances in our quarterly financial results and significant events that have occurred since year-end. We believe material information relates to the business of the Trust and would reasonably be expected to have a significant influence on an investor's investment decision. We endeavor to explain the factors, when material, that ultimately impact the Trust's Unitholder distributions, such as revenues, operating and non-production costs, financing expenses, and capital expenditures. As well, we provide an overview of the Trust's financing and risk management activity in the period.

In each of 2006 and 2005, the financial results of Canadian Oil Sands reflect a 35.49 per cent working interest in the Syncrude Joint Venture.

Canadian Oil Sands' funds from operations rose 50 per cent to $141 million, or $1.52 per Trust Unit ("Unit"), in the first quarter of 2006, compared to $94 million, or $1.02 per Unit for the same 2005 quarter. Net income was $91 million, or $0.98 per Unit, in the first quarter of 2006, up from $59 million, or $0.64 per Unit, in the first quarter of 2005.

The first quarter 2006 performance reflects a continuing robust realized selling price for our Syncrude™ Sweet Blend ("SSB") product, which averaged $69.17 per barrel before hedging, a 10 per cent increase from the $62.66 per barrel before hedging realized in the comparable 2005 quarter. The Trust benefited from full exposure to the market price in both years as there were no oil price hedges in place. The Trust's sales volumes also increased 24 per cent in the first quarter of 2006 to 6.7 million barrels from 5.4 million barrels in the first quarter of 2005. While extensive turnaround and maintenance reduced production in both of these periods, the 2005 first quarter was more severely impacted by an advanced turnaround resulting from repairs to a hydrogen plant. The higher 2006 price and production translated directly into higher revenues, which rose to $466 million before hedging in the first quarter of 2006, a 38 per cent increase from the comparable 2005 quarter.

Higher revenues were, however, partially offset by the 32 per cent increase in first quarter 2006 operating expenses to $271 million from $206 million in the first quarter of 2005, as discussed in more detail in the operating costs section of this MD&A. In addition, non-production costs increased by approximately $13 million in the first quarter of 2006 compared to the same quarter in 2005 as a result of Stage 3 commissioning work.

Net income before unrealized foreign exchange and future income tax, which management believes is a better measure of operational performance than net income, was $87 million, or $0.94 per Unit in the first quarter of 2006, compared to $60 million, or $0.65 per Unit, in the same period of 2005. The table below reconciles this measure to net income.

($ millions)	Three Months Ended March 31	
	2006	2005
Net income per GAAP	$ 91	$ 59
Add (Deduct):		
Foreign exchange loss (gain) on long-term debt	1	6
Future income tax expense (recovery)	(5)	(5)
Net income before foreign exchange and future income taxes	$ 87	$ 60

The net income before unrealized foreign exchange and future income tax reflected in the previous table is a measurement that is not defined by Canadian generally accepted accounting principles ("GAAP"). The Trust also reports funds from operations, free cash flow, and Unitholder distributions on both a total and per Unit basis, which are measures that do not have any standardized meaning under Canadian GAAP. Funds from operations is calculated on the Trust's consolidated statement of cash flows as cash from operating activities before changes in working capital. Free cash flow is calculated as funds from operations less capital expenditures and reclamation trust contributions in the period. In management's opinion, funds from operations is a key performance indicator of the Trust's ability to generate cash to fund capital expenditures, while free cash flow is a key indicator of the Trust's ability to repay debt and pay distributions. Net income before unrealized foreign exchange and future income tax, funds from operations, and free cash flow may not be directly comparable to similar measures presented by other companies or trusts.

Revenues after Transportation and Marketing Expense

($ millions)	Three Months Ended March 31		
	2006	2005	Variance
Sales revenue [1]	$ 475	$ 346	$ 129
Transportation and marketing expense	$ (9)	$ (8)	$ (1)
	$ 466	$ 338	$ 128
Crude oil hedging gains (losses) [1]	$ -	$ -	$ -
Currency hedging gains [1]	$ 7	$ 6	$ 1
Total hedging gains (losses)	$ 7	$ 6	$ 1
	$ 473	$ 344	$ 129
Sales volumes (MMbbls)	6.7	5.4	1.3

[1] *The sum of sales revenue and crude oil and currency hedging gains (losses) equals Syncrude Sweet Blend revenues on the Trust's consolidated statement of income.*

($ per barrel)	2006	2005	Variance
Sales revenue	$ 70.46	$ 64.21	$ 6.25
Transportation and marketing expense	(1.29)	(1.55)	0.26
Realized selling price before hedging losses	69.17	62.66	6.51
Crude oil hedging gains (losses)	-	-	-
Currency hedging gains	1.07	1.00	0.07
Total hedging gains (losses)	1.07	1.00	0.07
Net realized selling price	$ 70.24	$ 63.66	$ 6.58

Revenues after transportation and marketing expense and before hedging increased by $128 million to $466 million in the first quarter of 2006 compared to the same quarter in 2005 due to increased sales volumes and a higher realized selling price. Sales volumes rose 1.3 million barrels to 6.7 million barrels in the first quarter of 2006 from 5.4 million barrels in the first quarter of 2005. The first quarter 2006 realized selling price before hedging was $69.17 per barrel, a 10 per cent increase over the $62.66 per barrel price in the comparable 2005 quarter. There were no crude oil hedges in place in either period, reflecting management's financing plans with the Stage 3 expansion moving closer to completion and its associated financing risk being not significant. Currency hedging gains of $7 million and $6 million were realized in the first quarter of 2006 and 2005, respectively.

The high realized SSB selling price reflects a continuing robust benchmark West Texas Intermediate ("WTI") price, which our SSB product closely follows. WTI averaged US$63.48 per barrel in the first quarter of 2006, a 27 per cent increase over the US$50.03 per barrel average WTI price in the same period of 2005.

However, the benefit of a strong WTI price was partially eroded by the weaker differentials that light Canadian crudes received in the first quarter of 2006 relative to WTI. Our SSB crude oil realized a weighted-average discount of $4.39 per barrel compared to average Canadian dollar WTI in the first quarter of 2006 versus a $1.51 per barrel premium in the first quarter of 2005. The discount to WTI in the first quarter of 2006 was relatively large compared to average differentials in the last several years. A high number of planned and unplanned third party refinery outages in the quarter reduced product demand and, at the same time, a pipeline reconfiguration resulted in increased light crude oil volumes available to the market. The typical markets for our product were not willing to absorb the excess volumes without pricing incentives and pipeline dynamics prevented moving the product to more distant markets for better prices. In comparison, the first quarter of 2005 was characterized by reduced production from a number of synthetic producers, translating into strong demand from customers. Differentials to WTI are anticipated to improve in the second quarter of 2006 as other synthetic producers perform scheduled maintenance. However, additional volumes from the Syncrude project are also anticipated in the quarter, and accordingly we have increased the average 2006 SSB/SSP discount to WTI to $3.00 per barrel from $1.50 per barrel in our 2006 outlook discussed later in this MD&A.

Strengthening of the Canadian dollar relative to the U.S. dollar also offset the benefit of higher WTI crude oil prices on revenue. The Canadian dollar averaged $0.87 US/Cdn in the first quarter of 2006 relative to the same period in 2005 when the foreign exchange rate averaged $0.82 US/Cdn.

Operating costs

	Three Months Ended March 31			
	2006		2005	
	$/bbl Bitumen	$/bbl SSB	$/bbl Bitumen	$/bbl SSB
Bitumen Costs [1]				
Overburden removal	3.24		3.03	
Bitumen production	9.47		9.82	
Purchased energy [3]	3.90		3.30	
	16.61	19.21	16.15	20.46
Upgrading Costs [2]				
Bitumen processing and upgrading		5.33		6.16
Turnaround and catalysts		7.49		8.90
Purchased energy [3]		3.99		2.90
		16.81		17.96
Other and research		3.51		2.39
Change in treated and untreated inventory		0.93		(1.29)
Total Syncrude operating costs		40.46		39.52
Canadian Oil Sands adjustments [4]		(0.20)		(1.39)
Total operating costs		40.26		38.13
	Bitumen	SSB	Bitumen	SSB
Syncrude production volumes (thousands of barrels per day)	237	205	199	157

[1] Bitumen costs relate to the removal of overburden, oil sands mining, bitumen extraction and tailings dyke construction and disposal costs. The costs are expressed on a per barrel of bitumen production basis and converted to a per barrel of SSB based on the yield of SSB from the processing and upgrading of bitumen.

[2] Upgrading costs include the production and ongoing maintenance costs associated with processing and upgrading of bitumen to SSB. It also includes the costs of major refining equipment turnarounds and catalyst replacement.

[3] Natural gas costs averaged $7.42/GJ and $6.45/GJ in the first quarter of 2006 and 2005, respectively.

[4] Canadian Oil Sands' adjustments mainly pertain to Syncrude-related pension costs, property insurance costs, site restoration costs, as well as the inventory impact of moving from production to sales as Syncrude reports per barrel costs based on production volumes and we report based on sales volumes.

	Three Months Ended March 31	
	2006	2005
	$/bbl SSB	$/bbl SSB
Production costs	31.76	31.05
Purchased energy	8.50	7.08
Total operating costs	40.26	38.13
	GJs/bbl SSB	GJs/bbl SSB
Purchased energy consumption	1.15	1.10

Operating costs in the first quarter of 2006 increased to $271 million, or $40.26 per barrel, from $206 million, or $38.13 per barrel, in the same quarter of 2005.

Purchased energy costs rose 20 per cent to $8.50 per barrel from $7.08 per barrel in the first quarter of 2006 and 2005, respectively. The increased purchased energy costs, which consist mainly of natural gas, reflect a 15 per cent rise in natural gas prices to $7.42 per gigajoule ("GJ") in the first quarter of 2006 from $6.45 per GJ in the same 2005 quarter. Purchased energy consumption also increased five per cent to 1.15 GJs per barrel from 1.10 GJs per barrel in the first quarter of 2006 and 2005, respectively. Natural gas consumption rises during periods of maintenance activity, particularly during coker turnarounds, as process heat integration within the facilities declines, requiring additional natural gas purchases during unit outages. This anticipated purchased energy increase impacted the first quarter in both years, but repairs on a hot water line during the first quarter of 2006 resulted in additional bitumen requirements from the Aurora mine, which relies mainly on purchased natural gas for its energy needs. Commissioning of individual Stage 3 units also raised purchased energy consumption as these units were brought into service without an offsetting increase in SSB production.

Per unit purchased energy consumption is expected to rise following the completion of Stage 3 because bitumen will increasingly be sourced from the Aurora mine. Due to Aurora's remote location, process heat from the upgrader is unavailable for use at Aurora, and it relies mainly on purchased natural gas for its energy needs. As well, additional hydrogen, which is derived from natural gas, will be used to increase product quality from SSB to SSP. While purchased energy consumption per barrel in the first quarters of 2006 and 2005 include some temporary increases, we expect that long-term consumption going forward will be about 0.85 GJs per barrel.

Production costs rose slightly to $31.76 per barrel in the first quarter of 2006 from $31.05 per barrel in the first quarter of 2005. A portion of Syncrude's long term incentive compensation is based on the market return performance of several Syncrude owners' shares/units. The resulting incentive plan valuation changes are recorded as operating cost increases or decreases at each period end. Strong return performance of the Syncrude owners' securities during the first quarter of 2006 was the main factor contributing to the $1.12 per barrel increase in the "Other and research" line of the above table. Reductions in bitumen processing and turnaround costs were offset by higher inventory draws in the first quarter of 2006 compared to the first quarter of 2005.

Non-production costs

Non-production costs in the first quarter of 2006 were $25 million, or $3.76 per barrel, compared to $12 million, or $2.15 per barrel, in the same period of 2005. As the Stage 3 project nears completion, more of the units associated with it are commissioned and handed over to operations. The ready-for-operations team, which is responsible for this process, was not fully established in the first quarter of 2005 as significant unit handovers were not scheduled until later in the year. By comparison, a large number of units under construction were handed over to operations in the first quarter of 2006. Non-production

costs consist primarily of development expenditures relating to capital programs, which are expensed, such as commissioning costs, pre-feasibility engineering, technical and support services, research and development, and regulatory and stakeholder consultation expenditures.

Depreciation, depletion and accretion expense

($ millions)	Three Months Ended March 31	
	2006	**2005**
Depreciation and depletion expense	$ 48	$ 31
Accretion expense	2	-
	$ 50	$ 31

Excluding accretion expense, depreciation and depletion ("D&D") expense for the three months ended March 31, 2006 rose by $17 million compared to the same period in 2005 as a result of a 30 per cent increase in Syncrude production volumes and a higher per barrel D&D rate.

The Trust revises its estimate of per barrel D&D expense in the first quarter of each year based on updated reserve and future development costs estimates. The effective property, plant, and equipment D&D rate in the first quarter of 2006 rose to $7.34 per barrel of production compared to $6.11 per barrel in the same period of 2005. The higher 2006 D&D rate reflects increased estimates of the Trust's future development costs as provided for in the Trust's December 31, 2005 independent reserves report, which is outlined in the Trust's Annual Information Form and can be found at www.sedar.com, or on our web site at www.cos-trust.com under investor information.

Accretion expense increased $2 million in the first quarter of 2006 compared to the same period of 2005. The increase reflects the higher asset retirement obligation ("ARO") outstanding at December 31, 2005 compared to December 31, 2004.

Foreign exchange

The 2006 and 2005 first quarter foreign exchange losses are mainly the result of revaluations of our U.S. denominated long-term debt caused by fluctuations in U.S. and Canadian exchange rates. Canadian Oil Sands recorded a $1 million unrealized foreign exchange loss in the first quarter of 2006 compared to a $6 million unrealized loss in the first quarter of 2005 as a result of these long term debt revaluations. The Canadian dollar weakened slightly from December 31, 2005 to $0.86 US/Cdn at March 31, 2006. By comparison, the dollar weakened relatively more from December 31, 2004 to $0.83 US/Cdn at March 31, 2005. The remaining foreign exchange gains and losses relate to the conversion of U.S. denominated cash, receivable, and payable balances.

Capital expenditures

Capital spending in the first quarter of 2006 decreased $51 million to $137 million from $188 million in the same period of 2005. Approximately 71 per cent of first quarter 2006 expenditures pertained to Syncrude's Stage 3 project, and with the project nearing completion, the Trust spent $39 million less on Stage 3 in the first quarter of 2006 compared to the first quarter of 2005. In addition, 2005 first quarter capital expenditures included $34 million related to the South West Quadrant Replacement ("SWQR") project, which was largely complete at the end of 2005. These reductions were partially offset by an $18 million increase in base mine maintenance capital, mainly related to haul truck replacements in the first quarter of 2006.

As at March 31, 2006 the Syncrude Joint Venture had expended most of the total $8.4 billion estimated Stage 3 project cost, which includes $0.7 billion for the Aurora 2 Mining Train completed in late 2003. Net to Canadian Oil Sands, the total cost for Stage 3 is equivalent to approximately $3.0 billion. Our annual capital expenditure forecast for 2006 is $367 million, which is approximately $433 million lower than the annual capital expenditures incurred in 2005. The decrease reflects the lower capital expenditures for the Stage 3 project and completion of the SWQR. Our capital expenditure forecast is discussed more fully in the Outlook section of this MD&A.

CHANGE IN ACCOUNTING POLICIES

As of April 25, 2006 there were no significant changes to the Trust's accounting policies from December 31, 2005.

LIQUIDITY AND CAPITAL RESOURCES

($ millions)	March 31 2006	December 31 2005
Current portion of long-term debt	$ 195	$ -
Long-term debt	$ 1,521	$ 1,737
Less: Cash and short-term investments	$ 38	$ 88
Net debt	$ 1,678	$ 1,649
Unitholders' equity	$ 3,424	$ 3,383
Total capitalization [1]	$ 5,102	$ 5,032

[1] Net debt plus unitholders' equity

Canadian Oil Sands' capital structure is essentially unchanged at March 31, 2006 compared to December 31, 2005. The $91 million of net income generated in the first quarter of 2006 was more than sufficient to cover the $50 million of distributions, net of the DRIP, paid in the quarter, leading to a small increase in Unitholder's equity. However, net debt increased slightly as cash was required to pay a portion of Stage

3 capital expenditures since funds from operations was reduced by turnaround and maintenance activity during the quarter. The result was that net debt to total capitalization at March 31, 2006 was essentially unchanged from December 31, 2005 at approximately 33 per cent. The Trust's Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan ("DRIP") generated $43 million in new equity in the first quarter of 2006.

Funds from operations in the first quarter of 2006 rose to $141 million, or $1.52 per Unit, an increase of $47 million over the same period in 2005. First quarter funds from operations were sufficient to cover the $50 million of distributions paid on February 28, 2006 net of the DRIP, and a portion of the $138 million of capital expenditures and reclamation trust contributions made during the quarter. Cash and working capital changes were used to finance the remaining capital expenditures.

The Trust's financing strategy remains unchanged with a clear focus on debt reduction towards a net debt target of about $1.2 billion. Based on our 2006 outlook, disclosed in detail later in this MD&A, we anticipate that the net debt target will be reached around the end of 2006. The Stage 3 project is essentially complete, and with the additional sales revenues from the production increase expected around mid 2006, Stage 3 should provide significant free cash flow to support our debt repayment plan.

With crude oil prices remaining robust for the first quarter of 2006, we have raised our full year 2006 outlook WTI price to average US$60 per barrel. The Trust's 2006 funds from operations is now estimated at approximately $1,033 million, a $63 million increase compared to the outlook provided at January 25, 2006. The Trust is raising its quarterly distribution by 50 per cent to $1.50 per Unit before any Unit split (or $0.30 per Unit assuming a 5:1 split on May 3, 2006). This increase maintains the schedule of achieving our net debt target around the end of 2006. While a reduction in crude oil prices or production would increase the time required to reach our net debt target, significant reductions from current oil price levels would be required to materially impact the timeline for such debt repayment.

In March 2006, Canadian Oil Sands extended its $840 million operating credit facilities. An overview of the key facilities terms can be found in Note 4 of the Notes to the Unaudited Consolidated Financial Statements.

UNITHOLDERS' CAPITAL AND UNIT TRADING ACTIVITY

Canadian Oil Sands Trust Units trade on the Toronto Stock Exchange under the symbol COS.UN. The Trust had 92.8 million Units outstanding at March 31, 2006 and, with the Unit price closing at $167.60 on that date, the market capitalization of the Trust was approximately $16 billion.

Canadian Oil Sands Trust - Trading Activity	First Quarter 2006	March 2006	February 2006	January 2006
Unit price				
High	$ 169.00	$ 169.00	$ 164.22	$ 151.45
Low	$ 127.01	$ 151.25	$ 136.41	$ 127.01
Close	$ 167.60	$ 167.60	$ 155.14	$ 151.00
Volume of Trust units traded (millions)	18.0	5.9	6.4	5.7
Weighted average Trust units outstanding (millions)	92.6	92.6	92.5	92.5

The Trust has declared a distribution of $1.50 per Unit pre-split (or $0.30 per Unit assuming a 5:1 split on May 3, 2006) in respect of the quarter ended June 30, 2006 for total distributions of approximately $139 million. The distribution will be paid on May 31, 2006 to Unitholders of record on May 8, 2006. A Unitholder distribution schedule is included in Note 7 of the Notes to the Unaudited Consolidated Financial Statements. During the Stage 3 expansion at Syncrude, we have utilized debt and equity financing to partially fund capital expenditures to the extent funds from operations was insufficient to fund the Trust's distributions, capital expenditures, mining reclamation trust contributions, and working capital changes. Such financings are disclosed as "non-acquisition financing, net" on the Unitholder distributions schedule.

Canadian Oil Sands issues Unit options ("options") as part of its long-term incentive plan for employees. There were 38,175 options granted in the first quarter of 2006 with an average exercise price of $147.72 per option and a fair value of approximately $1 million, which will be amortized into income over a three-year vesting period. Each option represents the right of the optionholder to purchase a Unit at the exercise price determined at the date of grant. The exercise price is further reduced by distributions over a threshold amount. The options vest by one-third following the date of grant for the first three years and expire seven years from the date of grant.

In addition, 6,869 performance unit rights ("PUPs") were issued in the first quarter of 2006 with a fair value of approximately $1 million. These PUPs are earned based on total unitholder return at the end of three years compared to a peer group, with the actual unit equivalents earned ranging from zero to double the target award. More detail on the PUPs is contained in the Management Proxy Circular dated March 10, 2006.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of March 31, 2006 there have been no significant changes to the Trust's contractual obligations or commitments from our 2005 year-end disclosure, other than reductions to the capital expenditure and various payment obligation commitments as a result of expenditures incurred in the first quarter and an estimated increase of approximately $77 million related to a new Syncrude employee retention program to be earned and paid over a three year period.

FINANCIAL RISK MANAGEMENT

Crude Oil Price Risk

As Canadian Oil Sands did not have any 2006 or 2005 crude oil price hedges, revenues were not impacted by crude oil hedging gains or losses and benefited fully from strong WTI prices. The Trust's financing risk has been declining during this period with the Stage 3 expansion approaching completion, and the Trust's balance sheet has been improving with the continuing strength in crude oil prices. Therefore, as at March 31, 2006 and based on current expectations, the Trust remains unhedged on its crude oil price exposure.

Foreign Currency Hedging

As at March 31, 2006 we had the following currency hedges outstanding:

Canadian Oil Sands Trust Exchange Hedging Activities	**2006**	**2007**
U.S. dollars hedged *($ millions)*	$ 35	$ 20
Average U.S. dollar exchange rate	$ 0.672	$ 0.692

Canadian Oil Sands' revenues in the first quarter of 2006 include foreign currency hedging gains of $7 million, or $1.07 per barrel, compared to gains of $6 million, or $1.00 per barrel, in the comparable quarter in 2005. The gains in each period reflect the stronger Canadian dollar relative to the strike rate in each of the hedge contracts. The Canadian dollar averaged $0.87 US/Cdn and $0.82 US/Cdn in the first quarter of 2006 and 2005, respectively.

Interest Rate Risk

Canadian Oil Sands' net income and funds from operations are impacted by interest rate changes based on the amount of floating rate debt outstanding. At March 31, 2006 we had $265 million of floating rate debt with maturities less than one year, comprised of $70 million drawn on our credit facilities, $20 million of floating rate medium term notes outstanding and $175 million of fixed rate debt, which was swapped into floating rate debt in January 2004. Any gains or losses related to the swaps are recognized in the period the swaps are settled as they are considered hedges for accounting purposes.

Unrecognized gains and losses

At March 31, 2006 the unrecognized gain relating to our foreign currency hedges was $17 million, and the unrecognized loss on the interest rate swaps on the $175 million of 3.95% medium term notes was $1 million. These unrecognized amounts and the fair values of the hedges are disclosed in Note 8 of the Notes to the Unaudited Consolidated Financial Statements.

FOREIGN OWNERSHIP

Based on information from the statutory declarations by Unitholders, we estimate that, as of February 6, 2006, approximately 33 per cent of our Unitholders are non-Canadian residents with the remaining 67 per cent being Canadian residents. The statutory declarations are only as of a specific record date, and therefore may still not reflect the current ownership level of the Trust's Units; however, given the limitations in the securities registration system and the lack of any process for real-time residency information to flow to the trustee and transfer agent, the Trust is of the view that statutory declarations are currently the most appropriate method of determining the residency status of its Unitholders.

Canadian Oil Sands' Trust Indenture provides that not more than 49 per cent of its Units can be held by non-Canadian residents. The Trust intends to require its Unitholders to complete statutory declarations as to their residency status each quarter to enable the Trust to monitor its level of non-Canadian resident ownership. The Trust Indenture requires all Unitholders to provide such statutory declarations when requested to do so by the trustee and transfer agent. The Trust plans to post the results of the declarations on its web site at www.cos-trust.com under investor information, frequently asked questions. This section of the web site also describes the Trust's steps for managing its non-Canadian resident ownership levels.

2006 OUTLOOK

Our outlook for 2006 Syncrude production has changed slightly from the guidance provided on January 25, 2006. We have reduced the high end of our estimate for Syncrude production by four million barrels with the current range now between 95 to 106 million barrels, or 34 to 38 million barrels net to the Trust based on our 35.49 per cent interest. The single point estimate is unchanged at 100 million barrels, or 35 million barrels net to the Trust. Production in the second quarter of 2006 is expected to average 24 million barrels, or 8.5 million barrels net to the Trust, which reflects the impact of Coker 8-3's start-up currently scheduled for May.

The low end of our 2006 production range reflects the possibility of a turnaround of Coker 8-2, which is not scheduled to occur until the second quarter of 2007. Additionally, a strong mining sector is currently resulting in a worldwide shortage of off-road tires. While the tire shortage has been identified as a production and cost risk for 2006 and 2007, Syncrude has implemented various measures aimed at reducing tire wear and damage in order to more efficiently manage their supply. Therefore, we do not expect the shortage to impact our current 2006 production outlook. The high end of our production range reflects a faster ramp up of Stage 3 volumes and sustained, reliable operations following start-up of all Stage 3 units. No significant turnaround and maintenance activity is scheduled for the remaining three quarters of 2006.

Under our current outlook, we anticipate exiting 2006 at about 90 per cent of design capacity, which is equivalent to about 315,000 barrels per day gross to Syncrude, or about 112,000 barrels per day net to the Trust. We anticipate that a period of lining out and optimization of the different operating units will be required to ramp up to full productive capacity of 128 million barrels, or 45 million barrels net to the Trust.

In addition to increased production, Stage 3 also is expected to improve product quality from SSB to SSP in 2006. We believe that this higher quality will differentiate SSP from the growing volumes of other synthetic crude in the market produced by competing projects. SSP's quality characteristics also are expected to provide a higher market price per barrel relative to SSB in the same market environment.

In the first quarter of 2006, our SSB product traded at a weighted average discount of $4.39 per barrel compared to Canadian dollar WTI. This discount was relatively large compared to average differentials realized in the last several years. We believe that a high level of planned and unplanned third party refinery outages in the quarter reduced product demand, while a pipeline reconfiguration increased light crude oil volumes available to the market. The typical markets for our product were not willing to absorb the excess volumes without pricing incentives and pipeline dynamics prevented moving the product to more distant markets for better prices. Differentials to WTI are anticipated to improve in the second quarter of 2006 as other synthetic producers perform scheduled maintenance, but additional volumes from the Syncrude project are also anticipated in the quarter. While the supply/demand equation for synthetic oil is difficult to predict and quantify, we believe that the differential to WTI will deteriorate as synthetic supply increases. We therefore have increased the average 2006 discount to WTI to $3.00 per barrel from $1.50 per barrel in our 2006 outlook.

Funds from operations in 2006 are anticipated to total $1,033 million, or $11.08 per Unit, based on an average WTI crude oil price of US$60.00 per barrel and a foreign exchange rate of $0.875 US/Cdn for the year. Revenues are estimated at approximately $2.3 billion in 2006, with operating costs of $941 million, or $26.52 per barrel, which includes $8.48 per barrel of purchased energy at an estimated $9.00/GJ natural gas price. In addition, funds from operations reflect the increase to the full 25 per cent Crown royalty rate expected to occur in the second quarter of 2006.

Per unit purchased energy consumption is expected to average approximately 0.94 GJs per barrel as a result of fluctuating production levels while the Stage 3 expansion is brought into operation. Beyond 2006 per barrel energy consumption is expected to be approximately 0.85 GJs per barrel as additional hydrogen derived from natural gas will be used to increase product quality from SSB to SSP and bitumen will be increasingly sourced from the Aurora mine. Due to Aurora's remote location, process heat from the upgrader is unavailable and the mine relies mainly on purchased natural gas for its energy needs.

The Trust's 2006 crude oil production is unhedged, and under the current financing plan we do not intend to undertake any crude oil hedging transactions. The Trust may hedge its crude oil production in the future depending on the business environment and our growth opportunities. In addition, the Trust will continue to monitor hedging opportunities to reduce operating cost exposure to rising natural gas prices, particularly during winter months when natural gas prices tend to rise relative to crude oil prices.

Based on our 2006 guidance, Canadian Oil Sands anticipates to begin paying Crown royalties at the full 25 per cent royalty rate in the second quarter of 2006, and as a result, Crown royalties are estimated at $183 million, or $5.16 per barrel in 2006. Under Alberta's generic Oil Sand Royalty, the Crown royalty is calculated as the greater of one per cent of plant gate revenue before hedging or 25 per cent of plant gate revenue before hedging, less Syncrude operating, non-production and capital costs.

Our estimate for 2006 capital expenditures increased from our guidance provided on January 25, 2006 to total $367 million with approximately $158 million directed to the Stage 3 expansion, net to Canadian Oil Sands. The cost estimate to bring the Stage 3 project into operation remains at $8.4 billion gross to Syncrude, but ancillary costs, such as final site clean-up and recently identified improvements, totalling approximately $150 million gross to Syncrude, are expected to be incurred following start up of Stage 3.

Under the Trust's 2006 outlook, we anticipate reaching our net debt target of approximately $1.2 billion around the end of 2006. The current robust price environment is strengthening the Trust's financial position, and we anticipate generating sufficient funds from operations to fund capital expenditures, distributions, and debt repayments. Once we have achieved our net debt target, unless capital investment growth opportunities exist that we believe would offer Unitholders better value, we intend to approach full payout of our free cash flow (funds from operations less capital expenditures and reclamation trust contributions).

With the reduction in capital expenditures and the expectation of achieving our net debt target around the end of 2006, Canadian Oil Sands plans to revise the DRIP terms around the fourth quarter of 2006. The premium distribution component of the DRIP and the ability to purchase units at 95 per cent of the volume weighted average price ("VWAP") will be suspended and/or amended. Subject to the receipt of all applicable regulatory approvals, the Trust plans to continue to provide Unitholders with the ability to reinvest quarterly distributions at the VWAP price. The DRIP has been an important component of the Trust's financing plan for the Stage 3 expansion. The suspended and/or amended terms may be reinstated in the future to once again provide the DRIP with a more significant role in the Trust's financing plans.

We estimate that approximately 95 per cent of the distributions pertaining to 2006 will be taxable as other income with the remainder classified as a tax-deferred return of capital. The actual taxability of the distributions will be determined and reported to Unitholders prior to the end of the first quarter of 2007.

Changes in certain factors and market conditions could potentially impact Canadian Oil Sands' outlook. The following table provides a sensitivity analysis of the key factors affecting the Trust's performance. In addition to the factors described in the table, the supply/demand equation for synthetic crude oil in the North American markets could impact the price differential for SSB/SSP relative to crude benchmarks; however, this factor is difficult to predict and quantify.

2006 Outlook Sensitivity Analysis

Variable [1]	Annual [2] Sensitivity	Funds from Operations Increase $ millions	Funds from Operations Increase $/Trust unit
Syncrude operating costs decrease	C$1.00/bbl	27	0.29
Syncrude operating costs decrease	C$50 million	13	0.14
WTI crude oil price increase	US$1.00/bbl	31	0.33
Syncrude production increase	2 million bbls	33	0.35
Canadian dollar weakening	US$0.01/C$	20	0.21
AECO natural gas price decrease	C$0.50/GJ	13	0.13

[1] An opposite change in each of these variables will result in the opposite funds from operations and net income impacts.

[2] Sensitivities assume a larger change in unrealized quarters to result in the annual impact. Variable changes apply only to unhedged positions.

More information on the Trust's outlook is provided in the April 25, 2006 guidance document, which is available on the Trust's web site at www.cos-trust.com under investor information.

CANADIAN OIL SANDS TRUST

CONSOLIDATED STATEMENTS OF INCOME AND UNITHOLDERS' EQUITY

(unaudited)

($ millions, except per unit amounts)

	Three Months Ended March 31	
	2006	**2005**
Syncrude Sweet Blend revenues	$ 482	$ 352
Transportation and marketing expense	(9)	(8)
	473	344
Expenses:		
Operating	271	206
Non-production	25	12
Crown royalties	5	3
Administration	5	3
Insurance	2	2
Interest, net (Note 5)	25	26
Depreciation, depletion and accretion	50	31
Foreign exchange loss (gain)	2	5
Large Corporations Tax and other	2	2
Future income tax expense (recovery)	(5)	(5)
	382	285
Net income for the period	$ 91	$ 59
Unitholders' equity, beginning of period	$ 3,383	$ 2,636
Net income for the period	91	59
Issue of Trust units (Note 2)	43	18
Unitholder distributions (Note 7)	(93)	(46)
Contributed surplus	-	-
Unitholders' equity, end of period	$ 3,424	$ 2,667
Weighted average Trust units	92.6	91.5
Trust units, end of period	92.8	91.7
Net income per Trust unit		
Basic	$ 0.98	$ 0.64
Diluted	$ 0.98	$ 0.64

CANADIAN OIL SANDS TRUST
CONSOLIDATED BALANCE SHEETS
(unaudited)
($ millions)

	March 31 2006	December 31 2005
ASSETS		
Current assets:		
Cash and short-term investments	$ 38	$ 88
Accounts receivable	160	197
Inventories	80	87
Prepaid expenses	1	3
	279	375
Capital assets, net	5,591	5,502
Other assets		
Reclamation trust	26	25
Deferred financing charges, net and other	21	23
	47	48
	$ 5,917	$ 5,925
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 255	$ 281
Current portion of long-term debt	195	-
Current portion of employee future benefits	10	10
	460	291
Employee future benefits and other liabilities	94	93
Long-term debt	1,521	1,737
Asset retirement obligation (Note 6)	148	148
Deferred currency hedging gains	36	34
Future income taxes	234	239
	2,493	2,542
Unitholders' equity	3,424	3,383
	$ 5,917	$ 5,925

CANADIAN OIL SANDS TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
($ millions)

	Three Months Ended March 31	
	2006	**2005**
Cash provided by (used in):		
Operating activities		
Net income	$ 91	$ 59
Items not requiring outlay of cash:		
Depreciation, depletion and accretion	50	31
Amortization	1	1
Foreign exchange on long-term debt	1	6
Future income tax expense (recovery)	(5)	(5)
Other	1	1
Net change in deferred items	2	1
Funds from operations	141	94
Change in non-cash working capital	46	12
	187	106
Financing activities		
Net drawdown (repayment) of bank credit facilities	(22)	126
Unitholder distributions (Note 7)	(93)	(46)
Issuance of Trust units (Note 2)	43	18
	(72)	98
Investing activities		
Capital expenditures	(137)	(188)
Reclamation trust	(1)	(1)
Change in non-cash working capital	(27)	(1)
	(165)	(190)
Increase (decrease) in cash	(50)	14
Cash at beginning of period	88	18
Cash at end of period	$ 38	$ 32
Supplemental Information		
Large Corporations Tax and income tax paid	$ 3	$ 3
Interest charges paid	$ 33	$ 34

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2006
(Tabular amounts expressed in millions of Canadian dollars, except where otherwise noted.)

1) ACCOUNTING POLICIES

The interim consolidated financial statements include the accounts of Canadian Oil Sands Trust and its subsidiaries (collectively, the "Trust" or "Canadian Oil Sands"), and are presented in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2005. The disclosures provided below are incremental to those included with the annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in the Trust's annual report for the year ended December 31, 2005.

2) UNITHOLDERS' EQUITY

In the three months ended March 31, 2006 approximately 0.3 million Units were issued for proceeds of $43 million related to the exercise of options and the Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan ("DRIP") with respect to the distributions paid on February 28, 2006.

The following table summarizes Units that have been issued:

Date	Net Proceeds per Unit	Number of Units	Net Proceeds
Balance, January 1, 2006		92.5	$ 2,010
Option exercises	$ 35.68	-	$ 1
February 28, 2006 (DRIP)	$ 140.69	0.3	$ 42
Balance, December 31, 2006		92.8	$ 2,053

3) EMPLOYEE FUTURE BENEFITS

Syncrude Canada Ltd. ("Syncrude Canada"), the operator of the Syncrude Joint Venture, has a defined benefit and two defined contribution plans providing pension benefits and other retirement and post-employment benefits plans covering most of its employees. Post-employment benefits include certain health care and life insurance benefits for retirees, their beneficiaries and covered dependents.

Canadian Oil Sands accrues its obligations as a joint venture owner in respect of Syncrude Canada's employee benefit plans and the related costs, net of plan assets. The cost of employee pension and other retirement benefits is actuarially determined using the projected benefit method based on length of service and reflects Canadian Oil Sands' best estimate of the expected performance of the plan investment, salary escalation factors, retirement ages of employees and future health care costs. The expected return on plan assets is based on the fair value of those assets. Past service costs from plan amendments are amortized on a straight-line basis over the estimated average remaining service life of active employees ("EARSL") at the date of amendment. The excess of any net actuarial gain or loss exceeding 10 per cent of the greater of the benefit obligation and fair value of the plan assets is amortized over the EARSL.

Canadian Oil Sands' share of Syncrude Canada's net defined benefit and contribution plans expense for the three months ended March 31, 2006 and 2005, which is recorded in operating expense, is as follows:

($ millions)	Three Months Ended March 31	
	2006	2005
Defined benefit plans		
Pension benefits	$ 7	$ 6
Other benefit plans	1	1
	$ 8	$ 7
Defined contribution plan	-	1
Total Benefit cost	$ 8	$ 8

4) BANK CREDIT FACILITIES

($ millions)	Credit facility
Extendible revolving term facility (a)	$ 40
Line of credit (b)	35
Operating credit facility (c)	800
	$ 875

a) The $40 million extendible revolving term facility is a 364-day facility with a one year term out, expiring April 25, 2007. This facility may be extended on an annual basis with the agreement of the bank. Amounts borrowed through this facility bear interest at a floating rate based on bankers' acceptances plus a credit spread, while any unused amounts are subject to standby fees.

b) The $35 million line of credit is a one year revolving letter of credit facility. Letters of credit drawn on the facility mature April 30th each year and are automatically renewed, unless notification to cancel is provided by Canadian Oil Sands or the financial institution providing the facility at least 60 days prior to expiry. Letters of credit on this facility bear interest at a credit spread.

Letters of credit of approximately $42 million have been written against the extendible revolving term facility and line of credit.

c) The $800 million operating facility is a five year facility, expiring April 27, 2011. Amounts borrowed through this facility bear interest at a floating rate based on bankers' acceptances plus a credit spread, while any unused amounts are subject to standby fees.

d) Each of the Trust's credit facilities is unsecured. These credit agreements contain typical covenants relating to the restriction on Canadian Oil Sands' ability to sell all or substantially all of its assets or to change the nature of its business. In addition, Canadian Oil Sands has agreed to maintain its total debt-to-total book capitalization at an amount less than 0.6 to 1.0, or 0.65 to 1.0 in certain circumstances involving acquisitions.

5) INTEREST, NET

($ millions)	Three Months Ended March 31	
	2006	2005
Interest expense	$ 26	$ 26
Interest income and other	(1)	-
Interest expense, net	$ 25	$ 26

6) ASSET RETIREMENT OBLIGATION (“ARO”)

($ millions)	Three Months Ended March 31	
	2006	2005
Asset retirement obligation, beginning of period	$ 148	$ 44
Liabilities settled	(2)	(1)
Accretion expense	2	-
Asset retirement obligation increases	-	-
Asset retirement obligation, end of period	$ 148	$ 43

The Trust and each of the other Syncrude owners are liable for their share of ongoing environmental obligations for the ultimate reclamation of the Syncrude Joint Venture and the ARO represents the present value estimate of Canadian Oil Sands’ share of the cost to reclaim the mines. The timing and amount of reclamation expenditures related to Syncrude’s upgrader facilities and sulphur blocks cannot presently be determined. Consequently, the ARO relating to the upgrader facilities and the sulphur blocks will be recognized in the year in which the settlement amounts and dates can be reasonably estimated.

7) UNITHOLDER DISTRIBUTIONS

This statement is provided to assist Unitholders in reconciling funds from operations to Unitholder distributions.

Pursuant to Section 5.1 of the Trust Indenture, the Trust is required to distribute all the income received or receivable by the Trust in a quarter less expenses and any other amounts required by law or under the terms of the Trust Indenture. The amount of income that the Trust receives by way of royalty from its subsidiaries has discretionary amounts relating to funds required or expected to be required for capital and operational matters, all as more particularly set out in the annual information form dated March 15, 2006 under the heading Distributable Income.

In 2005, distributions were paid to Unitholders on the last business day of the second month following the quarter and were recorded as payable at each quarter end even though they were not declared. Commencing in the fourth quarter of 2005, distributions are recorded in the quarter declared and paid. The change in recording Unitholder distributions has no impact on the ultimate distributions declared and paid to the Unitholders or to the timing of such payments nor does it impact Canadian Oil Sands’ net income or funds from operations.

CANADIAN OIL SANDS TRUST
CONSOLIDATED STATEMENTS OF UNITHOLDER DISTRIBUTIONS
(unaudited)
($ millions, except per unit amounts)

	Three Months Ended March 31	
	2006	**2005**
Funds from operations	$ 141	$ 94
Add (Deduct):		
Capital expenditures	(137)	(188)
Non-acquisition financing, net [1]	71	130
Change in non-cash working capital	19	11
Reclamation trust funding	(1)	(1)
Unitholder distributions	$ 93	$ 46
Unitholder distributions per Trust unit	**$ 1.00**	**$ 0.50**

[1] *Represents financing to fund the Trust's share of Syncrude's Stage 3 expansion and is a discretionary item.*

8) HEDGING INSTRUMENTS

Unrecognized gains (losses) and the fair values of Canadian Oil Sands' hedging instruments at March 31, 2006 are as follows:

($ millions)	Unrecognized gains (losses)	Fair value
Currency exchange contracts	$ 17	$ 17
3.95% Interest rate swap contracts	$ (1)	$ (1)
	$ 16	$ 16

9) SUBSEQUENT EVENTS

On April 10, 2006 the Alberta government substantively enacted a decrease of 1.5 per cent to the provincial corporate tax rate, resulting in a new tax rate of 10 per cent. The impact to Canadian Oil Sands of this rate decrease is an estimated future income tax recovery of approximately $9 million, which will be recorded in the Trust's second quarter 2006 financial statements.

Canadian Oil Sands Limited
Marcel Coutu
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Units Listed – Symbol: COS.UN
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