

Candax Energy Inc.

CAX : TSX : C\$0.11

SELL

Target: C\$0.10

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COMPANY STATISTICS:

52-week Range:	C\$0.08-0.60			
Shares Out (M) basic:	169.3			
Shares Out (M) diluted:	169.4			
Market Cap (M):	C\$18.6			
NAV /shr:	C\$0.21			
Net Debt (M):	C\$74.0			

EARNINGS SUMMARY:

FYE Dec	2007A	2008E	2009E	2010E
Equivalent				
Production (boe/d):	465	1,450	1,500	2,324
EPS:	(0.05)	(0.08)	(0.12)	(0.06)
Op EPS:	(0.03)	(0.08)	(0.11)	(0.09)
P/Op EPS (x):	(4.3)	(1.5)	(1.0)	(1.2)
CFPS:	(0.02)	0.10	0.04	0.11
P/CF (x):	(4.8)	1.1	2.5	1.0
NAV /shr:	0.21			
EV/DACF (x):		4.644	8.2	3.3

SHARE PRICE PERFORMANCE:



COMPANY SUMMARY:

Candax Energy Inc. is an international energy company involved in oil and gas exploration and production and power generation. Candax has operations in Tunisia and looks to expand into the Middle East and other parts of North Africa. With an experienced, international oil and gas knowledgeable management team inclusive of Michael Wood, President and CEO, John Clarke, Executive Vice President and Chris Hopkins, CFO; Candax is primed for growth.

All amounts in C\$ unless otherwise noted.

Energy -- Oil and Gas, Exploration and Production

WORKOVER UNSUCCESSFUL – PRODUCTION REMAINS LOW

Event

Candax announced that its workover operations at El Bibane 3 (EBB-3) and El Bibane 4 (EBB-4) were completed, but unsuccessful. The down-hole investigation at EBB-3 determined that a failure in the production tubing near the top of the well is the cause for the loss of production. The workover on EBB-4 was to reduce the level of water from the well; but subsequent flow tests over the past five days show that the water level has not been reduced. The company is currently planning further remedial work.

Production was shut in at its El Bibane field near the end of August following an unexpected closure of the down-hole safety valve at EBB-3. Prior to that, the field, which accounts for approximately 70% of the company's oil production, was only producing at minimal rates, as EBB-4 had already been shut in due to water production. The only other producing well, EBB-5, was producing at minimal rates.

In the interim, the company continues to lift gas from EBB-4, using gas from the EBB-5 well on a 1/4" choke. Current production volumes for the field are 250 b/d of condensate and 7.5 mmcf/d of natural gas. However, the company receives a minimal amount for its gas production, which all goes to supply the SEEB power plant.

Candax currently has US\$4 million of cash.

Impact

Negative. The unsuccessful workover and ongoing shutdown of the company's major asset only furthers operational uncertainty. The uncertainty of the timing of when El Bibane will resume operations will impact its ability to meet its planned liftings and could thus have a materially negative impact on our estimates of cash flow.

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Moreover, the ongoing difficulties at El Bibane may negatively affect its strategic review. However, in spite of its operational issues, the company noted that it does not believe these problems will have any material impact on its reported reserves of the field. As the company is presently planning for more remedial work, we have yet to adjust our 2010 forecasts to reflect this.

Action

We are maintaining our SELL rating and C\$0.10 target price on Candax.

Valuation

Our target price reflects a discount of approximately one-half of our estimated NAV, excluding the SEEB non-recourse loan. Our discount reflects both financial risk and operational risk to account for the risk associated with bringing EBB-3 back onstream and increased uncertainty as to the future reservoir performance. At the same time, the delay to re-establishing production may negatively impact the company's ongoing strategic review process and its ability to negotiate appropriate terms with its lender (Bank of Scotland).

Investment risks

In addition to operating risks inherent in oil and gas exploration and production activities, oil and natural gas price realizations and production may be lower or higher than our forecast. Collectively, these risks could impact the company's valuation and our forecasts.

All producing and potential properties are presently located in Tunisia. The company's operations, financial results, and valuation could be affected by events beyond the company's control taken by the current or future governments with respect to policy changes regarding taxation, regulation, and other business environment changes.

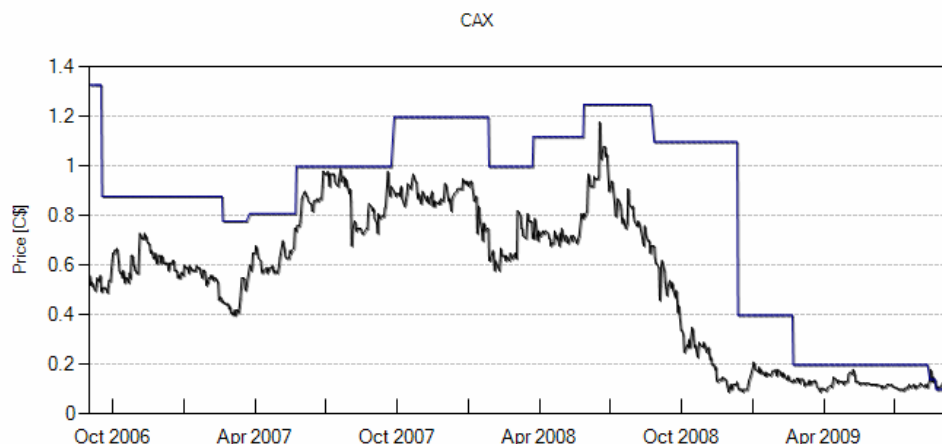
Candax currently has approximately US\$4 million of cash but as previously disclosed, there continue to be ongoing concerns relating to the Corporation's liquidity and working capital position and thus going concern issues continue to be relevant. The Company is continuing to work closely with its professional advisors and with its bankers to develop the best forward strategy to address these matters.

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Site Visit: An analyst has visited the issuer’s material operations in Tunisia and corporate headquarters in Toronto. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1) 10/04/2006	Peters	Speculative Buy	0.88	8) 06/05/2008	Peters	Speculative Buy	1.25
2) 03/06/2007	Peters	Speculative Buy	0.78	9) 09/02/2008	Peters	Speculative Buy	1.10
3) 04/09/2007	Peters	Speculative Buy	0.81	10) 12/17/2008	Peters	Speculative Buy	0.40
4) 06/07/2007	Peters	Speculative Buy	1.00	11) 02/25/2009	Peters	Hold	0.20
5) 10/10/2007	Peters	Speculative Buy	1.20	12) 08/17/2009	Peters	Hold	0.14
6) 02/06/2008	Peters	Speculative Buy	1.00	13) 08/25/2009	Peters	Sell	0.10
7) 04/02/2008	Peters	Speculative Buy	1.12				

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

Distribution of Ratings:
Global Stock Ratings
(as of 1 September 2009)

Rating	Coverage Universe		IB Clients	
	#	%	#	%
Buy	353	55.2%	26.3%	
Speculative Buy	84	13.1%	39.3%	
Hold	175	27.4%	21.1%	
Sell	27	4.2%	18.5%	
	639	100.0%		

Canaccord Ratings System:

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.
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Risk Qualifier:

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

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Company	Disclosure
Candax Energy Inc.	7

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