

April 10, 2006

Candax Energy Inc. (CAX-T, \$1.26)

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Rating and 12-month Target: SECTOR OUTPERFORM (SPECULATIVE), \$1.25

Impact: Short-term Positive

Event: Looking Gassy

- Candax announced preliminary drill results on April 10, 2006, for the exploration well at Chaal-1 in Tunisia. The well has reached a depth of 4,340 meters and drilling has stopped to stabilize the well. The well has been flowing due to the intersection of a permeable streak in the Lower Nara Formation. Candax will continue to increase the mud weight to bring the well under control and will then run intermediate logs before resuming drilling. So far the well has intersected 304 meters of hydrocarbon reservoir in the Middle/Lower Nara Formation. There have been numerous uphole gas and condensate shows while drilling through the reservoir.

Implications:

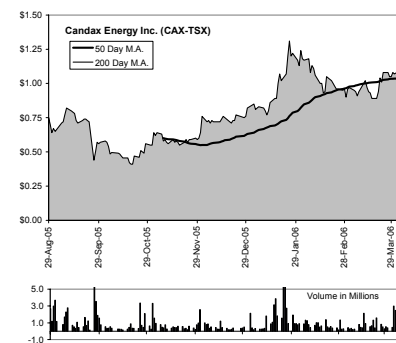
- While this is not indicative of the productive capability of the well, it is indicative of a potential discovery of hydrocarbons in the Chaal 1 well. The well has so far encountered a total of 304 meters of gross reservoir with another 100 meters of drilling to the expected total depth of 4,440 meters is reached. We note that current reservoir penetration of 304 meters is double the reservoir found in the previous wells drilling in the 1960s. We also note that drilling will continue until the total hydrocarbon column has been drilled which may be more or less than the remaining 100 meters to expected total depth.
- This news presents a positive event for the Chaal-1 well. However, we caution investors that until tests results are released over the next month, the success of Chaal can not be proclaimed. Current proven plus probable reserves for the Chaal prospect based on two previous wells are 60 bcf of reserves. However, a range in reserves is from 200 bcf to more than 800 bcf, depending on the size of the structure. The Chaal prospect has the potential to add material value to Candax, should the well prove to be a success.

[Last Research: April 3, 2006](#)

Target Price	\$1.25
Current Price	\$1.26
Return (incl. dist'n)	-0.8 %
52-Week High / Low	\$1.38 / \$0.39
Shares O/S	130.7 million (basic) 183.1 million (F/D)
Market Capitalization	\$178 million
Enterprise Value	\$154 million
Daily Volume (3 mo avg)	982,000
Currency	C\$ unless noted
Web Site	www.candax.com
CEO	Michael Wood



Price Performance



Please see rating structure, risk profile parameters, disclaimers and notes at the end of this report.

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- 12 months 24 months
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