Candax Energy Inc.

(CAX–T, $0.72)

Turning On The Taps in Tunisia!

Financial Summary (all figures in C$ unless otherwise stated)

(end-Dec)	Oil (b/d)	Gas (mmcf/d)	BOEPD	CFPS ($)	P/CF	EV/DACF
FY07	465	0	465	-0.02	-31.3	-61.0
FY08	2,000	3.3	2,550	0.28	2.6	3.0
FY09	2,750	4.5	3,500	0.32	2.3	2.5

- Candax is engaged in the exploration, development and production of oil and gas assets in Tunisia and Madagascar. Its portfolio is characterized by current production, near term production growth and high impact growth potential.
- Catalysts include the completion of a re-development program at El Bibane that should bring production at the field to about 3,300 boe/d (net). An additional two well development drilling program at Ezzaouia is targeting approximately 600 boe/d (net).
- The Company's exposure to high impact plays has the potential to add significant upside to Candax through its 2008 capital program, targeting almost 1 Tcf of natural gas.

Investment Thesis – Near Term Catalysts & High Impact Growth

Candax Energy Inc. (Candax) is positioned to grow its production through near term development initiatives and exploration of multiple high impact plays. In addition to current production of approximately 2,000 boe/d, the Company is poised to add significant production from the development of its low-risk Tunisian assets in 2H08. Three high impact exploration plays in Tunisia and Madagascar provide Candax with a very attractive portfolio of opportunities from which to substantially grow its assets. We believe that Candax' unique suite of high working interest opportunities positions its experienced management team to deliver shareholder value.

Initiating Coverage with a Speculative Buy Rating and $1.20 Target Price

We remain eager for the completion of the El Bibane development program, and foresee multiple catalyst events during 2008 which could materially move the stock. We are initiating coverage of Candax with a Speculative Buy rating and $1.20 target, which provides 67% upside based on a recent closing price of $0.72. Our target price is based the Company's 2007 year-end NAV and the potential upside exposed by the 2008 capital program, and represents 1.6 times NAV.

Stock Rating:

Spec. Buy

12-month target	$1.20
Potential ROR	67%
Company Profile	
Sector	Oil & Gas Producers
Ticker	CAX – T
Shares O/S (mm)	169.2
Free Float (mm)	94.8
Mkt cap ($mm)	121.8
Mkt float ($mm)	68.3
Free float (%)	56%
Net debt (Q1/FY08) ($mm)	47.9
EV ($mm)	169.7
Key Metrics	
P/NAV	0.9x
Target P/NAV	1.6x
Dividend yield (%)	n/a

Analyst

Dan Payne (403)513-1032

dpayne@paradigmcapinc.com

Sales

Toronto (866) 361-1064

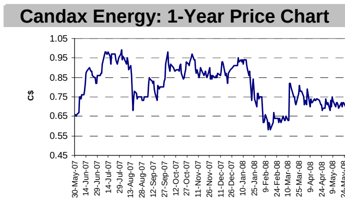
Calgary (877) 513-1025

Paradigm Capital research is available on First Call, Reuters or at http://www.paradigmcap.com

Refer to last page for official disclaimer

Issued by Paradigm Capital Inc.

Candax Energy: 1-Year Price Chart



06/02/08 Initiating target price ($1.20)

Source: Bloomberg, Paradigm Capital

Table of Contents

Investment Thesis–Near Term Catalysts & High Impact Growth

Candax Energy Inc. (Candax) is positioned to grow its production through near term development initiatives and exploration of multiple high impact plays. In addition to current production of approximately 2,000 boe/d, the Company is poised to add significant production from the development of its low-risk Tunisian assets in 2H08. Three high impact exploration plays in Tunisia and Madagascar provide Candax with a very attractive portfolio of opportunities from which to substantially grow its assets. We believe that Candax' unique suite of high working interest opportunities positions its experienced management team to deliver shareholder value.

Company Profile and Strategy

At present Candax operates net production of approximately 2,000 boe/d. The Company is actively working on restoring production to one of its core assets in Tunisia at the El Bibane concession, where it expects to bring net production to approximately 3,300 boe/d imminently through the completion of a redevelopment program. Further, a recently initiated development and workover program at its Ezzaouia property stands to add additional production during Q3FY08. Moreover, the Company is pursuing three high impact plays at its Chaal Permit, the Deep Triassic formation in Tunisia, and its Block 1101 interest in Madagascar, which stand to contribute substantially to Candax' resource base. Additionally, management has expressed an interest in growing through selective and strategic acquisitions, in particular those which present synergies with the technical team's prior international experiences.

Candax was formed in June, 2004 and today holds high working interest land positions and exploration permits in Tunisia and Madagascar. Upon inception, the Company signed a memorandum of understanding with a Tunisian company, SMIP, to pursue oil and gas interests in Tunisia jointly. In January 2005, Candax signed a production sharing agreement with ETAP for the Chaal Permit. The Company's most significant growth initiative subsequently came in the form of its acquisition of Centurion Energy International's Tunisian assets, representing the various interests in Candax' additional properties and a 50% interest in the SEEB Power Plant, for a purchase price of $43.7m. In November 2006 Candax signed a production sharing agreement with the Government of Madagascar for onshore Block 1101, and has subsequently received the required Presidential Decree to pursue exploration.

Catalyst Table

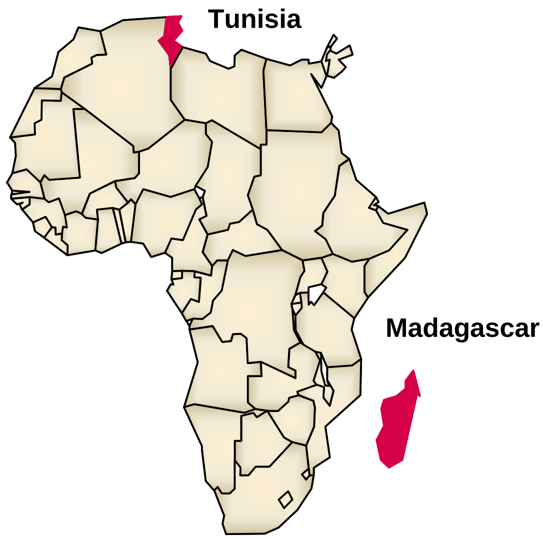
Figure 1: Catalyst Events

Event	Timing	Impact
El Bibane Development Program (73.8%)	Full field production anticipated by Q3/FY08	Full field production is expected to commence at rates of up to 2,500 bbl/d of liquids and 4.5 mmcf/d of natural gas (net)
Ezzaouia Development Program (31.4%)	2 well development program expected to commence June 2008	Each well is targeting production of up to 300 boe/d and 0.3 mmboe of reserves (net)
Chaal Prospect (60%)	Re-Drill prospect in Q3/FY08	Sidetrack of previously drilled well targeting between 0.3 and 0.5 Tcf of contingent resource (net).
Madagascar (60%)	Q3/FY08	2D seismic program to follow up field studies. Block 1101 lies to the north of significant reserves of about 17 billion bbl
Robanna (80%)	Late FY08 or early FY09	Contingent resource report suggests 2.4 mmbbl of oil in place (net) downdip of the Robanna-1 well
Deep Triassic Potential	FY09	The Deep Triassic is estimated to represent a multi-Tcf resource to Candax and is currently a producing zone on-shore for other operators

Source: Company Reports, Paradigm Capital

Company Asset Overview – Tunisia & Madagascar

Figure 2: Assets



Source: Company Reports, Paradigm Capital

The Company's current production is weighted towards oil, while its exploration portfolio is characterized by high working interest exposure to significant quantities of oil and natural gas. At the end of 2007, the Company's reserve base was approximately 12.9 mmboe on a proved plus probable basis, across a land base of approximately 250,000 net acres (excluding Malagasy acreage). The Company's assets are currently composed of:

Current Production

- Production base of approximately 2,000 boe/d, comprised of about 1,250 bbl/d of liquids and 4.5 mmcf/d of natural gas net to Candax.

Development Initiatives

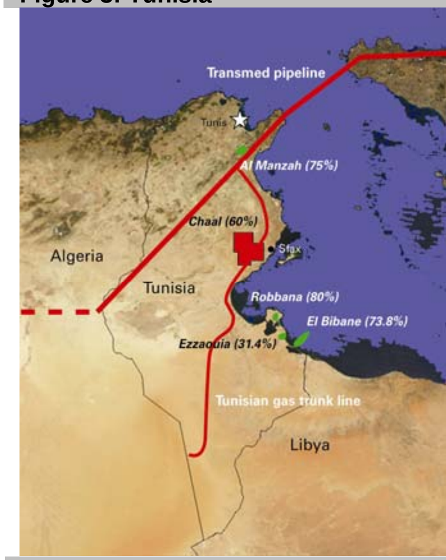
- Redevelopment program at El-Bibane Concession stands to bring production at the field to approximately 3,300 boe/d (net) by Q3/FY08. To date, peak flow rates of 1,400 bbl/d of oil have been realized from one well. Current net production from the field is about 1,650 boe/d.
- Recently initiated development drilling and workover program at Ezzaouia is projected to add approximately 600 boe/d (net) during Q3/FY08. The first well in the program was spud on May 30, 2008.

Exploration Potential

- Three high impact plays stand to add substantial reserve growth
    - Sidetrack of Chaal appraisal well testing contingent resource of between 0.3 and 0.5 Tcf of natural gas (net) scheduled for 2H08.
    - Triassic potential at El Bibane and Ezzaouia represents multi-Tcf potential. Testing of the prospect will likely occur in 2009.
    - 2-D seismic program planned for Madagascar Block 1101 to confirm initial prospectivity of the block.

Tunisia – Low Risk Development Upside

Figure 3: Tunisia



Source: Company Reports, Paradigm Capital

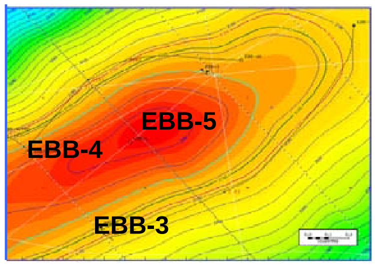
El Bibane Concession – Imminent Production from Redevelopment Program

Candax holds a 73.8% working interest in the 56,316 acre El Bibane Concession located approximately 18 kilometers offshore Tunisia in the Gulf of Gabes. The field was previously producing from the EBB-3 well, which commenced production in 1998 and cumulatively produced 3.3 mmbbl. Production is predominantly sourced from a high quality highly fracturized dolomite Cretaceous Zebbag formation. In September 2005 the well was shut in due to corrosion encountered during routine maintenance, and was unable to be restarted due to technical difficulties.

At present, Candax is in the final phases of completing a redevelopment program at El Bibane including the recompletion of the EBB-3 well, and the drilling of an additional producing well (EBB-4) and gas injection well (EBB-5). Recently, the Company announced that the EBB-4 well has begun flowing at rates of up to 1,400 bbl/d (gross). Current production at the field is approximately 1,650 boe/d net to Candax (900 bbl of liquids and 4.5 mmcf/d of sales gas). It is anticipated that the EBB-3 well will be completed by June, 2008 at which time gas injection and full field production will commence. It is anticipated that the El Bibane field could produce up to 3,300 boe/d (~2,500 bbl/d of liquids and 4.5 mmcf/d of natural gas net).

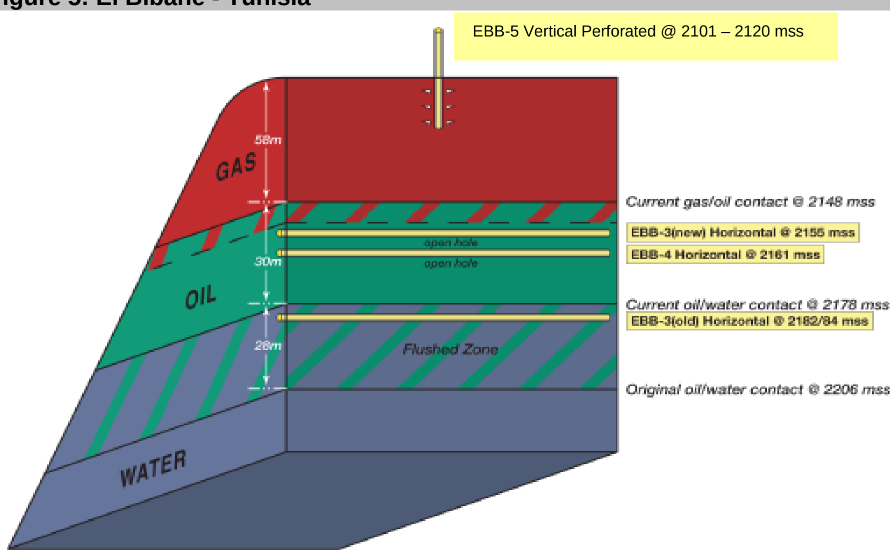
Produced volumes are transported to the 200,000 bbl Zarzis Storage Facility where it is marketed at intervals dictated by capacity. Commodity pricing realized at El-Bibane is based on world oil pricing, subject to a $2.50 discount and a 20% domestic market obligation priced at 90% of the discounted price (effectively equating to realized prices of approximately 95% of Brent). This contributes to impressive netbacks based on company estimates of $6.00/bbl operating costs and $2.00/bbl royalty/taxes at the project. At year end 2007, the El Bibane field was projected to contain approximately 3.4 mmbbl of oil and 15.5 bcf of natural gas reserves (2P). Based on expected rates, the Concession has about a 5 year RLI. Candax expects there to be reserve additions at El Bibane from condensate extraction associated with the gas injection system which are not included in the Ryder Scott report.

Figure 4: El Bibane - Tunisia



Source: Company Reports

Figure 5: El Bibane - Tunisia



Source: Company Reports

Ezzaouia Concession – Current Production and Development Upside

Candax retains a 31.4% working interest in the 9,880 acre Ezzaouia Concession onshore Tunisia about 12 kilometers from the town of Zarzis. The Concession is currently producing from 6 wells at an aggregate rate of approximately 400 boe/d (net). The property is the site of a recently initiated 2 well development program. The first well in the program was spud on May 30, 2008. Each infill well is expected to cost approximately $2.0m and is targeting approximately 300 bbl/d of production and up to 0.3 mmboe of reserves (net). Additionally, one workover will be performed at the property during the year, expected to increase production at the Ezzauoia-5 well. At year end 2007, Ezzaouia had attributed reserves of approximately 6.2 mmbbl of oil and 0.9 bcf of natural gas (2P).

Robbana

Candax' other producing interest also resides in southern Tunisia at the Robbana Concession where it has an 80% working interest in the property currently producing approximately 75 bbl/d. At year-end, reserves remaining on a proved plus probable basis at Robanna totaled 93.5 mbbl. Recently, Candax's reserve engineers assigned 2.4 mmbbl contingent resource in-place (net) to the Robanna Concession. The Company plans to test the prospectivity of this resource with a well downdip of the Robanna-1 well in late 2008 or early 2009.

High Impact Exploration Plays Provide Substantial Growth

Chaal Permit

Located in central Tunisia the Chaal Permit covers 1,200 square kilometers in which Candax retains a 60% working interest. The Chaal-1 well was spud in February of 2005 and reached a total depth of approximately 4,600 meters, encountering a total gas bearing section of 450 meters and a net reservoir interval of 90 meters. Due to technical difficulties encountered when completing the well it was shut-in pending a review of technical options. Candax and its partners are currently in the process of reinitiating operations at Chaal and will likely sidetrack the well in August or September of 2008 at which point a commercial test of the reservoir will be implemented. The Chaal prospect is targeting between 300 and 500 Bcf of natural gas on a contingent resource basis (net). The Chaal permit has significant natural gas infrastructure transiting the prospect. The testing of this prospect provides the most near term catalyst to contribute significant shareholder value.

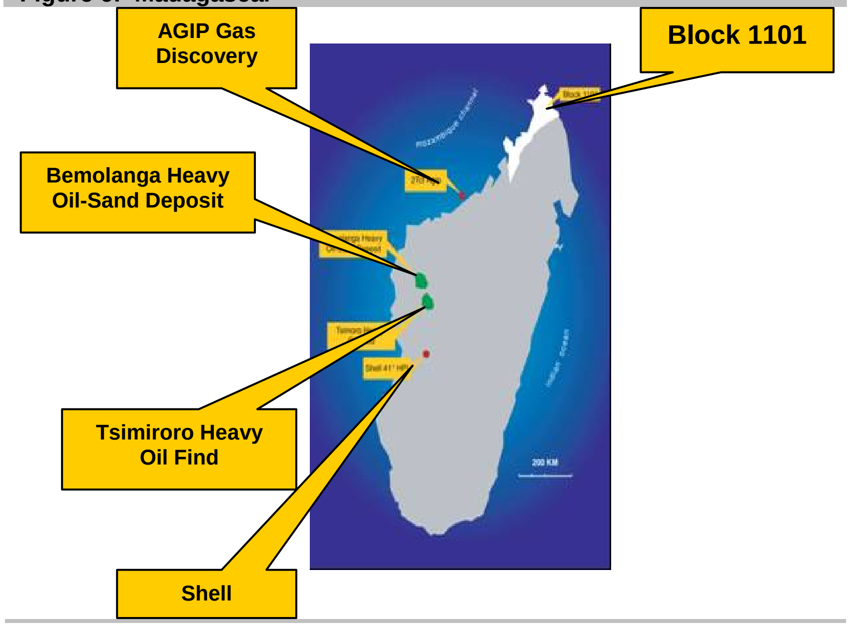
Triassic Potential – Underlying Ezzaouia and El Bibane

The Ezzaouia and El Bibane Concessions both have exposure to the Deep Triassic structure which lies beneath currently producing formations. The Triassic Tagi has proven to be prolific in Tunisia and neighboring countries such as Algeria. Presently, the formation is producing at the Baguel and Tarfa fields in Tunisia, which are inland and to the west of Candax' blocks. The Company's prospect is projected to contain a multi-Tcf natural gas resource. The prospect, currently covered by 3-D seismic, will require a deep drilling rig to undertake an appraisal well of approximately 5,500 meters in depth. The Company is currently negotiating with the Tunisian government to drill the prospect. Centurion retains a 50% working interest in the prospect. The potential of this formation presents enormous exploration upside to Candax, and is the Company's most impactful potential play.

Madagascar – Exploration!

In November of 2006 Candax signed a production sharing agreement with the Government of Madagascar for a 60% equity interest in the 14,900 square kilometer onshore Block 1101. The Company recently completed initial fieldwork confirming the potential of the block. The geological analysis has indicated in excess of a 5,000 meter sedimentary section beneath the block. A follow-up 2-D seismic program in the third quarter of 2008 is being planned to confirm these initial evaluations. It is anticipated that this program will cost approximately $1.5m. With continued success, it is anticipated that an exploration well would be drilled in 2009. The Block is located north of the Bemolanga and Tsimiroro blocks, operated by Madagascar Oil, which contain approximately 17 billion barrels of heavy oil with additional light oil discoveries down dip.

Figure 6: Madagascar



Source: Company Reports, Paradigm Capital

SEEB Power Plant

The 50% owned SEEB Power Plant located at Zarzis in southeastern Tunisia is a 27 MW power plant consisting of two simple cycle gas turbines. The power plant commenced operations in 2003, and receives its natural gas supply from the Ezzaouia and El Bibane Concessions. Gas from these concessions is sold to the plant at a price of approximately $0.40/mmbtu. Operations at the SEEB plant have recently restarted with the production of gas from the El Bibane field. Importantly, the power plant is underpinned by non-recourse debt of about $13.5m, for which Candax would be liable for a break-fee of only $0.8m should it discontinue operations at the facility. When considering the debt levels of the Company this is an important consideration.

Reserves and Net Asset Value

Candax' reserves were last evaluated as of December 31, 2007 by the independent engineering firm, Ryder Scott. As at that date, Candax had proved reserves of 6.4 mmboe, and 6.5 mmboe of probable reserves comprised approximately 75% of crude oil and liquids.

Figure 7: Year End Reserve Booking as at December 31, 2007

	Crude Oil (Mbbl)	Natural Gas (MMcf)	Oil Equivalent (MBoe)
Proved Developed Producing	2,457	1,183	2,654
Proved Developed Non-Producing	65	33	71
Proved Undeveloped	2,012	9,826	3,650
Proved	4,535	11,042	6,375
Probable	5,159	8,152	6,518
Proved plus Probable	9,694	19,194	12,893

Source: Company Reports, Paradigm Capital

Based on the engineering price deck, Candax' before tax net asset value discounted at 10% (before tax) is $136.9m or $0.75 per diluted share. This estimate is based on a fully diluted share basis, Q1FY08 net debt and attributes no value to land. Additionally, the Company's high impact plays provide an additional $2.49 in potential upside on a fully diluted basis. These amounts are on a net interest basis and are risked at 10%, with gas and liquids valued at $2.50/mcf and $15.00/bbl, respectively in the ground.

Figure 8: Net Asset Value as at December 31, 2007

	($mm)	Per share (f.d.)
Proved (10% pre tax)	$94.7	$0.52
Probable (10% pre tax)	$79.6	$0.44
Undeveloped Land	$0.0	$0.00
Net Debt	$37.4	$0.21
Net Asset Value (2P)	**$136.9**	**$0.75**

Source: Company Reports, Paradigm Capital
**Net Debt based on Q1FY08 and accounting for Option Proceeds*

Figure 9: Risked Exploration Asset Value

Natural Gas						
	Net Unrisked Reserve Potential (Tcf)	**Risk Factor**	**Risked Recoverable Reserves (Bcf)**	**Estimated Reserve Value ($/mcf)**	**Estimated Reserve Value ($mm)**	**Per Share**
Chaal	0.3	10%	30	$2.50	$75.0	$0.41
Triassic	1.5	10%	150	$2.50	$375.0	$2.06
	1.8	10%	**180**		$450.0	$2.47
Liquids						
	Net Unrisked Reserve Potential (mmbbl)	**Risk Factor**	**Risked Recoverable Reserves (mmbbl)**	**Estimated Reserve Value ($/bbl)**	**Estimated Reserve Value ($mm)**	**Per Share**
Robanna	2.4	10%	0.24	$15.00	$3.6	$0.02
Total NAV						$2.49

Source: Company Reports, Paradigm Capital

Management Team and Board of Directors

Candax's management has significant experience in the international oil and gas industry, and has recently been bolstered by the arrival of a few key personnel.

Adrian Loader, Chairman - Previously President of Shell Canada Ltd. Mr. Loader has over 35 years of experience in the international oil industry, primarily with the Royal Dutch Shell Group. Mr. Loader also serves as a director of Holcim AG, is a Member of the European Advisory Board of Air Products, and a Member of the International Advisory Board of Garda World.

Michael Wood, President, CEO and Director – Mr. Wood has been President and CEO of the Corporation since September 2004. Mr. Wood has significant experience in the international oil and gas sector, including with Conoco in Europe and North Africa, and has held senior positions and directorships with several international exploration and production companies. From 1999 to 2003 Mr. Wood served as CEO and CFO of Heritage Oil.

John Willis, COO – Mr. Willis has served as the COO of the Corporation since February 2007. Previously, Mr. Willis founded TransMed International and Consort Resources. Prior to these endeavors Mr. Willis was Manager, Energy Finance and

Consultant to Barclays de Zoete Wedd (Barclays Capital) from 1994 to 1999. Additionally, Mr. Willis has about 14 years of experience with Conoco in various senior project and engineering management roles.

Hywel John, CFO – Mr. John, a Chartered Accountant, joined the Corporation in April, 2008. Prior to joining Candax, Mr. John was Company Secretary and Legal and Commercial Director for Burren Energy PLC, which was acquired by ENI in February, 2008. He has 23 years of public accounting and oil industry experience.

John Clarke, Executive VP, Corporate and Director – Mr. Clarke has been Executive Vice President, Corporate since September 2004. Prior thereto, Mr. Clarke served as VP and Senior Oil and Gas Analyst with Octagon Capital, VP of Northern Securities and VP of Deutsch Bank Securities.

Dr. Donald Munn, Executive VP, Business Development – Dr. Munn has served as Executive Vice President, Business Development of the Corporation since September 2004. Previously, Dr. Munn served as director of Draig Resources and VP of Atlantis Holdings Norway AS.

David Wilson, Executive VP, Technical – Mr. Wilson has served in the role of Executive Vice President, Technical of the Corporation since September 2004. Prior to this, Mr. Wilson was Managing Director of ERC Dubai Ltd. and President of Atlantis Holdings Norway AS.

Alexander Kulpecz, Executive VP – Mr. Kulpecz has been Executive Vice President of the Corporation since May 2006 and a Member of the Technical Committee since September 2004. Previously, Mr. Kulpecz served as President of The Omega Group, President of Azurix International, and held various positions with Royal Dutch Shell Corporation (Executive VP, responsible for the development of business for Africa, Europe, South America and Russia and production for the North Sea and Europe).

Figure 10: Board of Directors

Name	Position
W. Adrian Loader	Chairman
Michael Wood	President and CEO
John Clarke	Executive VP, Corporate
Christopher Hopkins	Independent
John Cullen	Director
Murray Grant	Partner, Actis Capital LLP
Adrian Jackson	Equity Analyst, Investec Asset Management Ltd.
John Zaozirny, Q.C.	Counsel to McCarthy Tetrault LLP

Source: Company Reports, Paradigm Capital

Forecasts

Figure 11: FY08 and FY09 Forecasts

	FY07A	FY08E	FY09E
Production			
Liquids (b/d)	465	2,000	2,750
Natural Gas (mmcf/d)	0.0	3.3	4.5
Total (boe/d)	465	2,550	3,500
% Liquids	100%	78%	79%
Financials			
Cash Flow ($mm)	($3.9)	$47.5	$53.8
Cash flow per share (basic)	($0.02)	$0.28	$0.32
Cash flow per share (diluted)	($0.02)	$0.28	$0.32
Net Income	($9.3)	$13.9	$8.6
Earnings per share (basic)	($0.05)	$0.08	$0.05
Earnings per share (diluted)	($0.05)	$0.08	$0.05
Capital Expenditures ($mm)	$41.1	$40.1	$40.0
Net Debt ($mm)	$33.0	$25.6	$11.8
Debt-to-Cash Flow (trailing)	n/a	0.5	0.2

Source: Company Reports, Paradigm Capital

Country Profile

Tunisia's Energy Sector – Low Risk, Stable, Established Regime

Tunisia is a politically and fiscally stable country in North Africa. The country is led by a stable government which, although essentially an autocratic regime, has proven itself dedicated to liberalization and democratization, and has managed to avoid many issues typical of many African and Islamic nations. Economically Tunisia has been subject to steady GDP growth rates of approximately 5% annually over recent years, driven by a diverse mix of industries including agriculture, fisheries, tourism, textiles and energy. The IMF has forecast real GDP growth of 5.9% in 2009. In addition, and given its history as a French protectorate, the country has strong trade relations with the European Union providing an anchor for its growth – particularly as it relates to energy.

The energy industry in Tunisia is governed by the state-owned oil company, Enterprise Tunisienne d'Activites Petrolieres (ETAP), whose role is to manage exploration and development activities in the sector. ETAP has encouraged foreign investment in the industry to exploit and optimize Tunisia's hydrocarbon resource, and has to date granted in excess of 40 exploration licenses to foreign firms. The country's fiscal regime is stable, with royalties of between 2 and 15% for oil and natural gas production, while tax rates are fixed at 50% should ETAP take a minimum 10% interest in the property in question. International energy companies currently active in Tunisia include Petro-Canada, Eni, British Gas (Centrica), Anadarko, Eurogas and Lundin Petroleum.

It is estimated by the EIA that the country has total oil and gas reserves of approximately 308 million barrels of crude oil and 2.75 Tcf of natural gas on a proven basis. Tunisia's oil production totaled approximately 78,000 bbl/d in 2006, as compared to consumption in the country of 91,000 bbl/d. Similarly, natural gas production in 2006 totaled about 88 Bcf compared to demand of approximately 152 Bcf. The energy sector is relatively underdeveloped at present with only about 550 wells having been drilled in the country through 2005. This relatively low level of development is in contrast to its neighbors Algeria and Libya, which both produce millions of barrels of hydrocarbons daily. Given Tunisia's healthy economic growth, energy consumption demand and its robust reserve base, the country stands to benefit from increased development, and will require foreign investment to undertake these initiatives.

Madagascar's Energy Sector – The Definition of Exploration

Madagascar is in the nascent stages of developing its energy industry, and as an example, produced only about 90 bbl/d in 2006. Since liberalization of the economy from socialism in the 1990's the country has experienced steady growth rates as dictated by World Bank and IMF led policies of privatization and liberalization. The IMF projects Real GDP growth of 7.3% in 2008. Primary industries in Madagascar include Agriculture and Fisheries.

The Country has a significant heavy oil resource in the Tsimiroro and Bemolanga fields operated by Madagascar Oil. It is estimated that the resource at these fields totals approximately 16.6 billion barrels of oil in place of which about 9.8 billion barrels are considered recoverable. Other participants in the country include ExxonMobil, Shell, Hunt Oil, Chevron and Tullow. The development of these assets has attracted increased interest as technical advances and rising commodity prices have made heavy oil recovery more attractive.

Risks

There are significant inherent risks that we caution one should take into account when investing in international junior oil and gas companies. These risks are, but are not limited to:

Operational Risk - Exploration for oil and natural gas involves a high degree of risk and provides no assurance expenditures will result in new discoveries of oil or natural gas. Delayed or unsuccessful operations may result in: cost overruns, exposure to lower commodity prices, equipment shortages, mechanical and technical difficulties and labor shortages, all negatively affecting the profitability of the company.

Reserve Estimation and Replacement Risk - Estimating a company's reserves is an exercise filled with many uncertainties that are beyond the company's control. These uncertainties, materializing over time, can in part stem from: historical production, royalties and capital expenditures, fluctuations in production rates and commodity pricing, unforeseen variations in production declines and changes in access to market.

Regulatory Risk - Oil and gas operations, including exploration, production, pricing, marketing and transportation, are all subject to extensive controls and regulations imposed by the government. Changes or variations in such legislation may impose unforeseen delays on a company's operation, tie up capital and negatively affect the successful execution of operational goals.

Commodity Price Risk - Oil and natural gas revenues are strongly dependent on commodity prices. Historically, oil and natural gas prices have been highly volatile and have been significantly affected by supply and demand of the commodities themselves, the actions of foreign governments and the actions of international cartels. All of these factors are firmly beyond the influence of any given management team.

Financial Risk - Financial risk to the company comes in many forms including: currency risk, interest rate risk, credit risk and reduced access to equity and debt markets.

Country Risk – Operating in foreign jurisdictions creates exposures to potentially unpredictable political and fiscal regimes which may curtail the investment quality of projects.

Initiating Coverage with a Spec. Buy Rating and $1.20 Target

We remain eager for the completion of the El Bibane development program, and foresee multiple catalyst events during 2008 which could materially move the stock. We are initiating coverage of Candax with a Speculative Buy rating and $1.20 target, which provides 67% upside based on a recent closing price of $0.72. Our target price is based the Company's 2007 year-end NAV and the potential upside exposed by the 2008 capital program, and represents 1.6x NAV.

Disclaimer Section:

1. Dan Payne does not have an ownership position in Candax Resources Ltd.. (CAX-T).
2. Paradigm's disclosure policies and research distribution procedures can be found on our website at www.paradigmcap.com.

Research Rating System:
Paradigm Capital uses the following rating recommendations in its research:
Speculative Buy – Expected returns of 10% or more over the next 6-12 months on high-risk development or "pre-revenue" companies, such as junior mining and early stage biotech companies. (17% of Paradigm's coverage list consists of Speculative Buy recommendations).
Strong Buy – Analysts' top sector picks, with expected returns of 10% or more over the next 6-12 months. (1% of Paradigm's coverage list consists of Strong Buy recommendations).
Buy – Expected returns of 10% or more over the next 6-12 months. (64% of Paradigm's coverage list consists of Buy recommendations).
Hold – Expected returns of +/-10% over the next 6-12 months. (14% of Paradigm's coverage list consists of Hold recommendations).
Sell – Expected returns of –10% or more over the next 6-12 months. (5% of Paradigm's coverage list consists of Sell recommendations).

About Paradigm Capital Inc.
Paradigm Capital is a research driven, independent, institutional equity investment dealer focused on sectors and companies that have attractive long-term secular growth prospects. Paradigm Capital's research is available on our website at www.paradigmcap.com. Please speak to your Sales or Trading Representative if you require access to the website.

The analyst (and associate) certify that the views expressed in this report accurately reflect their personal views about the subject securities or issuers. No part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations expressed in this research report.

Analysts are compensated through a combined base salary and bonus payout system. The bonus payout is determined by revenues generated directly or indirectly from various departments including Investment Banking, based on a system that includes the following criteria: reports generated, timeliness, performance of recommendations, knowledge of industry, quality of research and investment guidance and client feedback. Analysts are not directly compensated for specific Investment Banking transactions.

The opinions, estimates and projections contained herein are those of Paradigm Capital Inc. ("PCI") as of the date hereof and are subject to change without notice. PCI makes every effort to ensure that the contents herein have been compiled or derived from sources believed reliable and contain information and opinions, which are accurate and complete. However, PCI makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions which may be contained herein and accepts no liability whatsoever for any loss arising from any use of or reliance on this research report or its contents. Information may be available to PCI, which is not reflected herein. This research report is not to be construed as, an offer to sell or solicitation for or an offer to buy, any securities. PCI, its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. PCI may act as financial advisor and/or underwriter for certain of the corporations mentioned herein and may receive remuneration for same. Paradigm Capital Inc. is a member of The Toronto Stock Exchange, The TSX Venture Exchange and The Investment Dealers Association of Canada.

To U.S. Residents: This report was prepared by Paradigm Capital Inc. which is not subject to U.S. rules with regard to the preparation of research reports and the independence of analysts. Paradigm Capital U.S. Inc., affiliate of PCI, accepts responsibility for the contents herein, subject to the terms as set out above. Any U.S. person wishing to effect transactions in any security discussed herein should do so through Paradigm Capital U.S. Inc.

PARADIGM CAPITAL INC

Research

Special Situations
Doug Cooper *(Head of Research)* (416) 363-5115

Biotech & Health Care
Claude Camiré (416) 360-1322

Energy Services
John Bereznicki, CFA (403) 513-1034

Entertainment
Corey Hammill (416) 361-0754

Gold and Precious Metals
Don MacLean (416) 360-3459
Don Blyth (416) 360-3461

Industrial Products
Marvin Wolff, CFA (416) 361-3376

Metals, Mining and Fertilizer
David Davidson (416) 360-3462
Jacob Willoughby (416) 361-9557

Oil & Gas
Melanie van den Berge, CFA (403) 513-1035
Dan Payne (403) 513-1032

Technology – Software/IT Services
Gabriel Leung (416) 361-6054

Technology – Hardware/Semiconductors
Daniel Kim (416) 363-6644

Technology – Wireless
Barry Richards (416) 364-4835

Research Associates
Alisa Beach (416) 360-3579
Marissa Caron (416) 364-9764
Jonathan Case, CFA (416) 363-9567
Lyndon Dunkley (403) 513-1029

Research Assistant
Michael Lobodzinski (416) 363-6228

Offices

Toronto
95 Wellington St. W.,
Suite 2101, P.O. Box 55
Toronto, Ontario M5J 2N7
General Line (416) 361-9892
Fax (416) 361-6050

Calgary
Ford Tower
Suite 630, 633 6th Avenue SW
Calgary, Alberta T2P 2Y5
General Line (403) 513-1025
Fax (Research & Sales) (403) 265-8721

Sales

John Bellamy *(Head of Sales)* (416) 361-6032

David Roland (416) 216-6844

Kristina Bates, CA (416) 361-9698

John Cooke, CFA (416) 361-6053

Mark Dickinson (416) 368-8960

Fabiene Evans, CA (416) 361-6056

Gabriel Ollivier, CFA (403) 513-1030

Robert Stabile, CFA (416) 361-1895

Peter Smiechowski, CFA (416) 361-5987

Trading

Clark Toews *(Head of Trading)* (416) 360-5129

Adam Deffett (416) 360-3578

Chris Glavin, CFA (416) 361-1901

Kevin Heffernan (416) 361-9752

Jonathan Hill (416) 361-9295

David Jarvis (416) 361-6030

Mervin Kopeck (416) 364-5451

Stock Rating System

Strong Buy: The stock is expected to appreciate and produce a total return of at least 10% over the next twelve months. This rating is used to highlight one or two stocks that our Analysts believe will outperform, from a risk-reward standpoint, all other companies in their respective coverage universes.
Buy: The stock is expected to appreciate and produce a total return of at least 10% over the next twelve months.
Hold: The stock is expected to provide returns of +/- 10% over the next twelve months.
Sell: The stock is expected to depreciate and produce a total return of -10% or less over the next twelve months.