

Candax Energy Inc. (CAX-T; \$0.46)

Recommendation: Market Perform

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All values in C\$ unless otherwise noted.

Current Price	\$0.46
Target Price (12-Month)	\$0.65
Implied Capital Gain	41%

Changes

	Old	New
EPS 2006E	\$0.01	Unchanged
DACF/sh FD 2006E	\$0.06	Unchanged
EPS 2007E	\$0.13	\$0.03
DACF/sh FD 2007E	\$0.20	\$0.05
Recommendation	Market Perform	Unchanged
Target Price	\$0.85	\$0.65

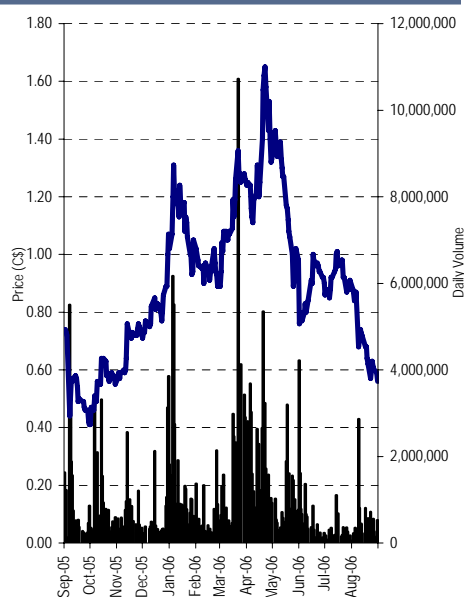
Company Profile

Candax Energy Inc. is a Canadian junior E&P with both producing and exploration assets in Tunisia. Candax began trading on the TSX on August 29th 2005 under the symbol CAX. The company has the potential to be producing ~2,500 boepd by 2008 if the El Bibane Field development is successful. Current Tunisian production is ~400 bopd.

El Bibane Rig Contractor Dismissed in Light of Lack of Operational Capability

- Further El Bibane delays – contractor failed to perform**
 The original rig contractor has been dismissed after repeatedly failing to meet operational standards. Management is trying to source a new rig.
- Ezzaouia (31.4%) to keep the lights on while we wait for El Bibane**
 Workovers and infill drilling in the Ezzaouia field are expected this year; Potential to add 150bbbls net from 5 workovers, and 2 infill wells planned.
- 3.8mmbbls and 13.4Bcf 2P reserves from El Bibane and Ezzaouia**
 Current risked NPV/sh is \$0.63, including \$0.27/sh in cash. Minimal value assigned to deep Triassic potential and Chaal in our current model.
- Target lowered to \$0.65 from \$0.85 on cashflow delays – Mkt Perf**
 Delays at El Bibane, disappointment at Chaal, and lack of visibility on rig availability are factors. El Bibane prod. in '08 leads to \$0.23/sh DACF.

Price Chart



Source: PCQuote

Financial Summary

Shares O/S (M FD)	181.2	52-Week Trading Range	\$0.39-\$1.73	
Market Capitalization (M)	\$85	Average Weekly Volume	5,632,896	
Net Debt - 2005E (M)	-\$39	Market Float (M)	\$57	
Enterprise Value (M)	\$46	Risked Portfolio NPV/share (FD)	\$0.63	
Forecasts	2005	2006E	2007E	2008E
Production (boe/d)	815	527	623	2,805
% gas	57%	0%	0%	16%
Wtd Ave Realized Price (\$/boe)	\$65.61	\$60.06	\$70.00	\$59.53
CapEx (M)	\$48.1	\$26.8	\$14.0	\$30.0
Oil and Gas Revenue (M)	\$12.9	\$16.1	\$15.9	\$60.9
Total Revenue (M)	\$13.9	\$19.5	\$22.2	\$67.4
Debt Adjusted Cash Flow (M)	\$7.4	\$9.6	\$9.1	\$39.9
Shares Outstanding (M)	77.1	170.0	181.2	170.2
DACFPS (FD)	\$0.04	\$0.06	\$0.05	\$0.23
EPS (FD)	(\$0.01)	\$0.01	\$0.03	\$0.14
Valuation	2005	2006E	2007E	2008E
EV/DACF	8.6x	5.5x	5.8x	1.2x
EV/BOE/d (per unit production)	\$56,412	\$87,293	\$73,738	\$16,386
P/E	(40.9x)	53.4x	16.7x	3.3x

Source: Company reports, Wellington West Capital Markets Inc.

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Company Name	Ticker Symbol	Applicable Disclosure
Candax Energy Inc.	CAX-T	3

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