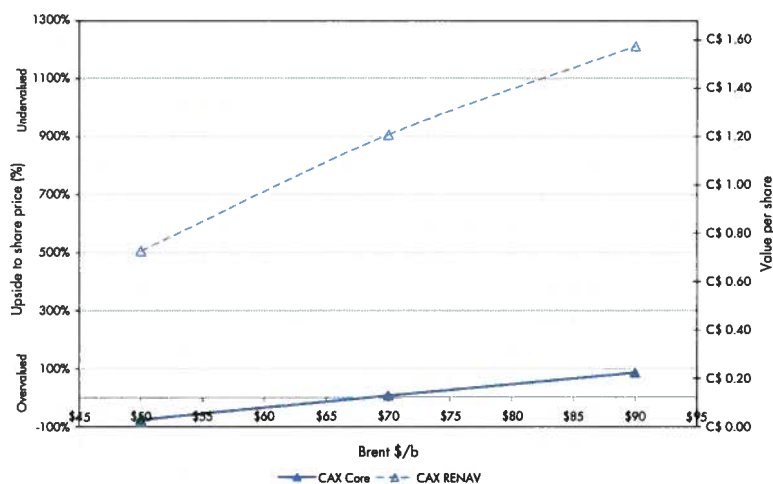


Candax Energy (CAX CN; C\$0.12)

Outperform (from Market Perform); C\$0.33 (up C\$0.15), Peter Nicol

Increasing rating and target. We are increasing our rating to Outperform for Candax and raising our target to C\$0.33/sh based on 3.5x 2010 EV/DACF. Candax has hired an investment bank to examine a range of strategic alternatives, including equity investments and/or various corporate transactions. With banks easing their lending (applying higher price decks) and the higher oil price environment we feel more comfortable with Candax's debt generating more flexibility to create value. Our price target is also supported by lower risk upside on Robbana (11cts risked, 37cts unrisked) and Ezzaouia (2cts risked, 5cts risked). Production from El Bibane could increase as a workover in the field is planned later this year so we believe there is low risk potential that a corporate buyer should be prepared to value and support our cash-flow based valuation. The portfolio contains some high potential assets such as Chaal (C\$0.40/sh risked, C\$2.13/sh) plus the promising exploration license on Block 1101 in Madagascar.

Exhibit 31: CAX Oil Price Sensitivity



Source: Tristone Capital

CANDAX ENERGY (CAX CN)

Analyst: Peter Nicol

Rating:	Outperform	Current Price:	C\$0.12	12-Month Target:	C\$0.33
Basic Shares (mm):	169.2	Market Cap. (\$mm):	\$18	Target EV/DACF	3.5x
Fully Diluted Shares (mm):	182.8	Enterprise Value (\$mm):	\$67	Expected Total Return:	175.0%
Unless stated, all figures in US\$		52-Week Range:	\$C0.08 - C\$1.08		

Overview

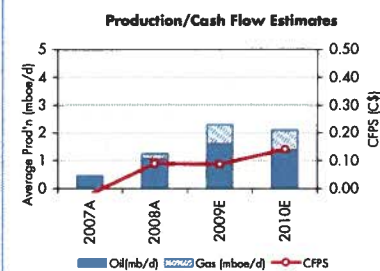


We are increasing our rating to Outperform for Candax and raising our target to C\$0.33/sh based on 3.5x EV/DACF '10 (C\$0.33/sh). Candax has hired an investment bank to examine a range of strategic alternatives, including equity investments and/or various corporate transactions. The portfolio contains some high potential assets such as Chaal (C\$0.40/sh risked, C\$2.13/sh) plus the promising exploration license on Block 1101 in Madagascar.

Following the El Bibane redevelopment, production performance is still struggling despite the wells cleaning up and water handling capacity has been increased. Candax is producing about 0.6 mb/d net from its Ezzaouia asset and combined with the El Bibane total production is currently ~1.8 mboe/d. Production from El Bibane could increase through a work over later in '09 and two sidetracks an Ezzaouia could also lift the production numbers. The associated gas on El Bibane does not add any value.

Candax is an upstream E&P company based in Toronto. The Company holds a number of concessions in Tunisia and is involved in the exploration and production of oil, gas and power generation in the country. Candax also holds exploration acreage onshore Madagascar. The management has strong credentials in the MENA region and continues to look for opportunistic acquisitions in this region.

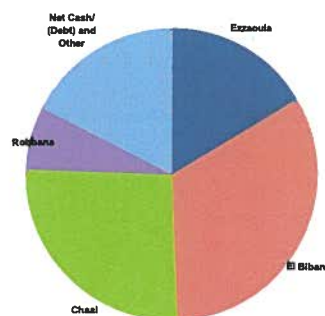
Operational and Performance



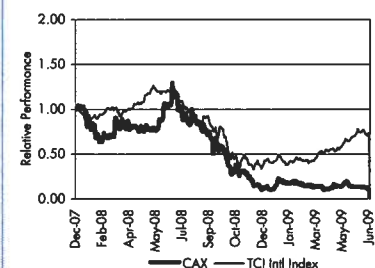
Estimates	2008A	2009E	2010E
Year End: 31-Dec			
Avg Prod'n (mboe/d)	1.3	2.3	2.1
% Gas	16%	30%	35%
Capex (\$mm)	\$60	\$5	\$11
Y/E Debt (\$mm)	\$60	\$54	\$44
D/CF	4.1x	4.1x	2.0x
Cash Flow (\$mm)	\$15	\$13	\$22
CFPS (C\$/sh)	C\$0.09	C\$0.09	C\$0.14
EPS (C\$/sh)	-C\$0.07	-C\$0.11	C\$0.01
EV/DACF	4.1x	4.3x	2.4x
EV/boe/d (\$m)	\$62.5	\$31.7	\$29.4

Reserves	2008
Proven + Probable Reserves (boe @6:1)	
Oil (mmb)	3.9
Gas (bcf)	10
Total (mmboe)	5.5
P+P RU (years)	12.0

RENNAV by Country



Candax Energy vs Tristone International Index

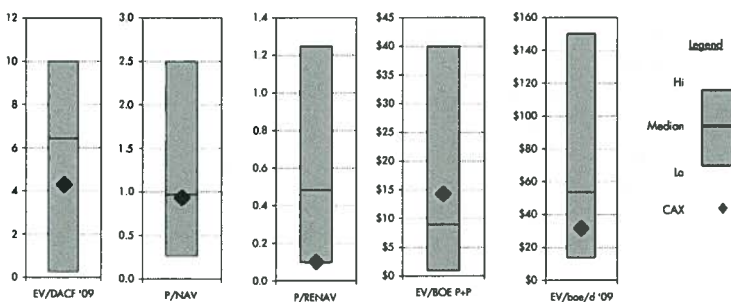


Unit Analysis (\$/boe)	2008A	2009E	2010E
Revenue	80.97	43.90	45.65
Royalties	0.00	0.00	0.00
Operating Costs	-14.72	-10.64	-9.95
Op Netback	66.25	33.27	35.69
G&A	-18.24	-6.56	-7.15
Interest	-5.83	-2.05	-0.84
Cash Netback	42.18	24.66	27.71

Valuation

NAV Breakdown	NPV10 US\$mm	C\$/Share
Assets (NPV10)		
Producing Assets	84	0.51
Cash/(Net Debt) (US\$ mm)	-49	-0.30
Undeveloped Resources	0	0.00
G&A (US\$ mm)	-14	-0.09
Core NAV	21	0.13
Option Proceeds (US\$ mm)	10	0.06
Risked Upside	168	1.02
RENNAV	199	1.21
Unrisked		14.47

09 Trading Metrics vs. Peers



Management

Michael T. Wood - President, CEO and Director
 John Willis - COO
 Hywel R. R. Jahn - CFO
 W. Adrian Loader - Chairman