

April 24, 2006

Candax Energy Inc. (CAX-T, \$1.25)

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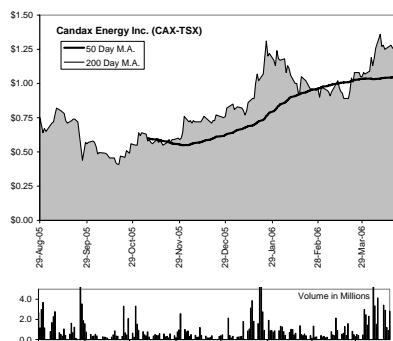
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Rating and 12-month Target: UNDER REVIEW

Impact: Short-term Neutral

Target Price	Under Review
Current Price	\$1.25
Return	Under Review
52-Week High / Low	\$1.48 / \$0.39
Shares O/S	168.9 million (basic) 180.0 million (F/D)
Market Capitalization	\$211 million
Enterprise Value	\$143 million
Daily Volume (3 mo avg)	1.235M
Currency	C\$ unless noted
Web Site	www.candax.com
CEO	Michael Wood

Price Performance



Source: Bloomberg

Event: Update on Chaal-1 Exploration Well Status

- Logging of the Chaal-1 well has indicated that there are approximately 90 metres of net pay out of the 450 metres of gross reservoir in the Lower Nara Formation. It is anticipated by the company that the well test program will begin in the next 7 to 10 days, following the installation of production casing and other equipment required to deal with the high pressure of the reservoir, at greater than 10,000 psi. The test program has been designed to independently test three separate zones and is expected to require 3-4 weeks for completion.

Implications:

- We note that this news provides more positive indicators of potential success of the Chaal-1 well, but it still remains too early to determine commercial success or failure of the Chaal prospect. Positives include the 90 meters of net reservoir within a 200 meter limestone section of the Lower Nara Formation. Additionally, recall the issues related to the high reservoir pressure encountered earlier this month while drilling the well in the Lower Nara Formation have been confirmed with a bottom hole pressure in excess of 10,000 psi. As an additional note, the rig site analysis of the gas indicates that there is condensate present in the gas, consistent with the results from the discovery well drilled in 1963. A full gas analysis during the test program will provide more detailed information about the condensate ratios in the gas.
- Our rating and target of Candax remain UNDER REVIEW as the market has seized on the potential of the Chaal-1 exploration well and has increased the Company's share price to trade above our target price of \$1.25. We previously rated the securities SECTOR OUTPERFORM (SPECULATIVE) until placing our rating under review April 11, 2006. Until the production potential of Chaal-1 has been fully evaluated, we are forced to place our target and rating UNDER REVIEW, as we are not inclined to downgrade our rating but do not have enough information to change our target price.

[Last Research: April 21, 2006](#)



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

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SECTOR OUTPERFORM (SPECULATIVE) – Investm expectations should generally exceed those of SECTOR OUTPERFORM to allow for the additional risk. Companies in this rating cent for risk accounts only. The security has strong upside although its risk profile leaves the potential for significant downside. Returncategory carry greater financial and/or execution risk without tangible assets for underlying support.

SECTOR PERFORM – The analyst believes that the security will trade with tight correlation to its underlying sector. Furthermore, the target price (together with any anticipated distributions) is at or above the market price, and forecast risk-adjusted returns are attractive relative to alternative investments.

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TENDER – The analyst is recommending that investors tender to a specific offering for the company’s stock.

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Haywood Securities, Inc. has reviewed lead projects of Candax Energy Inc. (CAX-T) and a portion of the expenses for this travel have been reimbursed by the issuer.

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