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Questioning Market Leaders For Long Term Investors

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COMPANY INTERVIEW

JOHN A. CLARKE
Candax Energy Inc.

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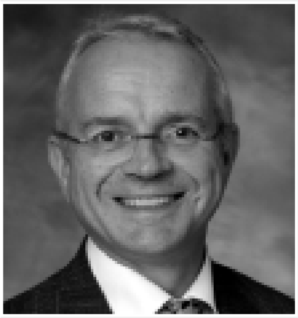

JOHN A. CLARKE, Executive Vice President, Corporate of Candax Energy Inc., has over 30 years' international experience in the energy sector, including 18 years of exploration and production experience within the Texaco group of companies and as a member of Texaco Inc.'s global exploration planning group. Mr. Clarke has a broad capital markets background, including over eight years as a Vice President and Senior Oil and Gas Analyst with Deutsche Bank and Octagon Capital Corporation. He has established relationships across the Canadian and international oil and gas industry, as well as with the institutional buy side. Mr. Clarke built and managed the Canadian oil and gas research group for Deutsche Bank Securities (Canada), and was ranked top North American Oil and Gas Analyst in 2003 and 2004 by Forbes/Starmine.

SECTOR – OIL & GAS
DRILLING & EXPLORATION

(AFN601) TWST: What is Candax Energy?

Mr. Clarke: Candax Energy Inc. is a relatively new company. We only came together as a management team at the end of 2004, based on a transaction-driven strategy that would see us focus on the Middle East and Africa, where the management team has extensive experience, both geologically and as producers with political relationships.

Following that, we completed our first transaction in April 2005 and then listed on the Toronto Stock Exchange, under the ticker symbol CAX, in late August 2005. So we have been a public company for just about a year and a half.

Candax has a five-year goal to build a world-class, full-cycle E&P company, through the combination of a strong production base with an emphasis on exploitation. However, we will take associated exploration risk if we see the upside potential in deals that we're focused on. For instance, our first transaction that got us to the IPO stage, was the acquisition of producing assets in Tunisia that were considered non-core to the selling company — Centurion Petroleum Corporation. With that deal, we acquired several very exciting exploration prospects for gas at the Triassic level and we are moving forward to drill the first exploration well on these prospects in 2007.

The genesis of the company, as I mentioned at the start, came from the team's experience in the international sector. All of the management team have graduated from the "University of Big Oil," but also have entrepreneurial, smaller independent company experience. The major international experience base includes companies such as: Conoco, Gulf, Texaco, Shell, Suncor, Occidental, etc., providing over 180 man-years' experience on the international oil and gas scene.

We have used our relationships to forge strategic partnerships to develop what we like to call "footprints" in our focus area, and some of these partnerships are being effectively used today. We gained Mitsubishi Corp. as an early partner in an exploration concession in Tunisia, which was separate from our acquisition of the producing assets. Mitsubishi and others continue to work with us on a number of other opportunities globally. Thus, even as a small company with a market cap of just over C$100 million, we have been able to get involved in bidding on opportunities around the world, in consortia with major international independent companies, for projects that may reach a billion dollars in size where we would be taking a small percentage of those deals. We have been able to identify and get qualified as bidder on several very significant production and development opportunities, predominantly in the Middle East and West Africa.

"In Tunisia, we are looking forward to the redevelopment of the El Bibane field as our number one priority. In addition to the two development wells, there is also a pilot waterflood that we are moving toward implementing in 2007 at our Ezzaouia producing field."

TWST: Are there any funding or financing items on the agenda?

Mr. Clarke: No. Looking forward into 2007, we're well financed. We have about $55 million in the bank as we speak and a cap ex budget for 2007 of around $26 million, which covers our redevelopment of El Bibane, two development wells and two exploration wells. The two development wells are scheduled to be drilled on our Ezzaouia producing field.

Of the two exploration wells that we would like to drill, one is an appraisal well on the Chaal discovery that was drilled this year and where we ran into some problems. We had a damaged wellbore due to high mud weights down the hole for an extended period of time prior to testing. We were unable to demonstrate commercial flow, but did establish sweet gas and condensate in a 400-meter hydrocarbon column with 90 meters of indicated net pay in a tight carbonate reservoir.

With our partners, Mitsubishi and a Tunisia national private company, we have just finished a review of the technical and operating problems with that well, and are looking for industry experience in drilling such prospects to go forward with another well to appraise the discovery, likely in the second half of 2007.

In addition to the two development wells and the Chaal appraisal well, there is an additional exploration prospect that we intend to drill below our Ezzaouia field at the Triassic level, in which the Tunisian government has an interest. This is a 1 to 2 Tcf prospect. We are very excited about it as Tunisia is an importer of both gas and oil and as such is anxious to develop its indigenous reserves with attractive prices legislated for domestic gas supply. We think that this gas prospect is one of the bigger ones in the country and we are anxiously looking forward to drilling it in the second half of 2007.

One of our major problems this year has been the extended delay in re-developing our major offshore oilfield at El Bibane. This has caused a great deal of frustration for us and also for our shareholders. One of the problems is that the field, although 11 miles offshore, is in shallow water (about 18 feet), and a conventional jack-up is difficult to get in on site, as one would have to dredge a channel for it. Therefore, we have gone with the option of a jack-up barge with a drill rig fitted to it, and have endured innumerable delays as the contractors faced fabrication and equipment delivery problems. The jack-up drilling barge has recently moved to Tunisia and is being fitted with spud cans for the feet and the top drive for the drill.

We expect to get this re-development program moving in the early part of the next year, hopefully for a January spud date.

We should be bringing on a couple of thousand barrels a day gross, 1,500 barrels a day net to us, next year and that is a very exciting prospect. We're currently producing at over 500 barrels a day from our existing producing assets, so if we can add another 1,500 average for the year that will get us up over 2,000 barrels a day of oil for 2007.

TWST: Introduce us to your top-level management team. Who are two or three of your key individuals?

Mr. Clarke: The key individual, of course, is always the President and CEO. And in this case, it's Michael Wood. Michael was formerly President at Heritage Oil, a publicly traded company on a Canadian Exchange, which was very successful in exploration in countries such as Congo, Uganda, and Oman. Michael left that company about 12 months before he brought together this management team. His background is with Gulf and Conoco, and he was based in Egypt for a number of years and is well known in the independent oil and gas sector.

Personally, I have over 20 years with Texaco internationally, and then about eight years in the Canadian financial services community, working for Deutsche Bank and an independent brokerage house, Octagon, where I was a top ranked oil and gas analyst.

The CFO is Christopher Hopkins, who has a background with Canadian resource companies, notably Suncor.

Other Executive Vice Presidents include Alexander Kulpecz, who formally worked for Shell around the world and is well connected internationally at the highest levels, both politically and within the industry.

Our two top technical guys are Don Munn, who is Executive Vice President, Business Development and David Wilson, who is Executive Vice President, Technical. Both of these individuals hold Doctorates, one in Geology and the other in Petroleum Engineering, and both worked for Shell internationally and in our focus areas. Prior to joining Michael Wood and Candax to form the technical backbone of the company, David and Don had formed their own company called Atlantis, which was sold to a Chinese venture in the Middle East.

Keith Howells, who is our Vice President, Business Development rounds out the team. He just moved to Dubai, where he will be working to access our Middle Eastern friends and relationships, to develop partnerships and strategic alliances in the region to follow through on our transaction strategy of MD&A — mergers, dispositions, and acquisitions.

TWST: What historically has been the shareholder base with the company? Has that base undergone any changes?

Mr. Clarke: Since the IPO, we have had a great deal of investor interest in the stock. We have over 6,000 shareholders and enjoy good liquidity. There are 169 million shares outstanding, of which about 34% is held by a major shareholder in the UK called Actis. It's the successor company to the Commonwealth Development Corp., which was the British government's private equity fund for emerging markets. It's now a public entity and we are very happy to have them behind us. We know that the stock is in safe hands, as they are strong backers of the company and management. We are very happy to have them as major shareholders for their guidance and advice.

Management also holds about 11% of the stock outstanding, so between Actis and

Management there is 45% of the stock that doesn't trade on a daily basis. Of the remaining 55% of the float, we trade close to 1 million shares a day, and are pleased to be covered by five research houses: Canaccord Adams, Haywood Securities, MGI Securities, Tristone, and Wellington West.

Initially, we had several large institutional investors excluding Actis, and a significant number of retail investors. I think that position has equilibrated now as our stock price has been volatile leading up to initial exploration drilling success and then following the failure to test commercial volumes. Candax share price has been as high as $1.73 and as low as a $0.45. Although Candax has been a volatile stock, we do trade extremely well with good liquidity.

TWST: In your discussions with the investment community, are there any recurring questions or misperceptions that you encounter? Do they tend to understand the Candax story?

Mr. Clarke: I think the Candax story is well understood. We are trying to mitigate risk in the E&P world by looking at reserves that have already been discovered that may not have yet been developed, or production with development upside or associated exploration upside. We want to mitigate the risk of being a pure exploration company, although we realize that if we have strong exploration targets we will get shareholders' interest, and of course it's a primary step on the oil and gas value generation ladder.

So we intend to take exploration risk where we feel it is attractive, but fund it with internally generated funds for the most part. We are focused on the international arena, where we believe we have a competitive advantage through our management relationships and past experience. We are not competing in the Western Canada Sedimentary Basin against others who have grown up there and who know it intimately. We are concentrating in what we think is our best area to compete effectively and believe that that part of our story is well accepted.

What has frustrated us this year are the enduring delays in getting the "fit for purpose" equipment onto our El Bibane field offshore for the redevelopment program. We intend to drill three wells on it, two oil and gas producers and a gas re-injection well. So this is not a small project, and we are anxiously looking forward to getting it underway. At the time it was shut in, El Bibane was the source of more than 50% of our production and will, when it's back on stream, account for about three quarters of our production at least. So it's a critical element of our operations and is priority number one for us.

While we have had delays over the last nine months in getting this field back on stream, we are looking to 2007 to change our fortunes, and to optimizing the operational part of our business. In addition, we continue to focus on generating and screening transaction opportunities where we could merge with other companies, acquire assets and/or companies, and develop additional "footprints" in our focus areas. Ideally, we're looking to mitigate risk both on a country level and in our oil and gas mix, and are currently looking at deals in Egypt and West Africa as well as a number of other places.

In fact, as a core part of our business strategy, over the last two years, we've looked at about 60 different opportunities and bid on 17 of them, which is a reflection of how active we have been in this regard. However, we are facing very serious competition, as can be seen in several recent announcements on acquisitions driven out of the Middle East.

TWST: What are the key metrics or key milestones that investors should focus on as they track your performance?

Mr. Clarke: I think that there are three issues that are being addressed and will come to fruition in 2007.

I would categorize the first of these as operational excellence and optimization of existing assets. These are currently in Tunisia, where we are looking forward to the redevelopment of the El Bibane field as our number one priority. In addition to the two development wells, there is also a pilot water-flood that we are moving toward implementing in 2007 at our Ezzaouia producing field. If that pilot is successful, which all the simulation work that we have done suggests it will be, we believe we can increase the recovery of original oil in place from 15% to 20%. On success, we will hopefully be adding another couple of million barrels of oil reserves for our share of that field. So that's our operational focus — get as much out of the assets that we hold as possible and as quickly as possible to maximize cash flow.

The second opportunity will be the drilling of two exploration wells — one an appraisal on the Chaal discovery, which I have previously mentioned, and the second depending on agreement with ETAP, the Tunisian government body, to participate with us in the drilling of a very exciting prospect at the Triassic level underneath our Ezzaouia onshore field. These are the two exploration prospects that investors should look toward being tested for significant upside on our existing concessions. We expect to add significant reserves and production next year from our producing assets through the successful redevelopment of El Bibane and the water-flood at Ezzaouia at the Jurassic level.

The third area is the ongoing business development portion of our business where we continue to screen opportunities. We are seeking strategic partners to go with us in this, and are targeting companies that may not have the cash that we do in the bank or the prospects for near-term production, but have interesting development and/or exploration opportunities. Our preference is not for pure exploration opportunities for reasons that I have already touched on, although we are looking at all manner of possibilities.

We think that 2006 has seen irrational exuberance in the M&A sector, with some very large premiums to NAV attached to announced deals. In some cases, multiples of NAV have been required for success, and we are examining a consolidation model with some of the smaller companies that are following a similar strategy as us for a more effective and economic way forward. We are amenable to talking with any entity where we can identify mutually beneficial deals which meet our investment criteria.

In summary, the three areas that investors can look forward to as we move into 2007 are: production and reserves up dramatically from existing assets; a couple of high impact exploration wells that will be targeting multi-Tcf reserve potential; and additional success in the business development aspect of the company through MD&A.

TWST: Thank you. (DWA)

JOHN A. CLARKE
EVP, Corporate
Candax Energy Inc.
130 Adelaide Street West
Suite 2700
Toronto, Ontario M5H 3P5
Canada
(416) 368-9137
(416) 364-5400 – FAX
www.candax.com
e-mail: info@candax.com