

Candax Energy Inc. (CAX-T; \$0.99)

Recommendation: Speculative Buy

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All values in C\$ unless otherwise noted.

Current Price	\$0.99
Target Price (12-Month)	\$1.35
Implied Capital Gain	36%

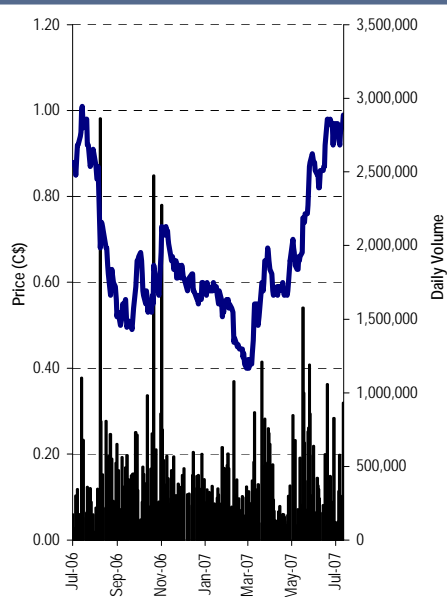
Changes

	Old	New
EPS 2007E	\$0.13	Unch.
DACF/sh FD 2007E	\$0.22	Unch.
EPS 2008E	\$0.27	Unch.
DACF/sh FD 2008E	\$0.46	Unch.
Recommendation	Spec. Buy	Unch.
Target Price	\$1.35	Unch.

Company Profile

Candax Energy Inc. is a Canadian junior E&P with production and exploration projects in Tunisia. Candax began trading on the TSX on August 29th 2005 under the symbol CAX. We believe the company has the potential to be producing >4,000 bopd by Q4 2007 if the El Bibane and Ezzaouia redevelopments are successful. Current Tunisian production is ~1000 bopd.

Price Chart



Source: PCQuote

Candax Kicks-off El Bibane Development Program

- **Drilling at EBB-4 is underway; expected to come onstream Oct. '07**
Drilling and completion is expected to take ~60 days. If successful, EBB-4 could be onstream by October. EBB-4 is the 1st of 3-well program.
- **Individual wells expected to produce up to 2,000+ bopd each (gross)**
Candax has a 73.8% interest in El Bibane – net production of ~3,000 bopd of light oil planned. Royalties at El Bibane are ~5%.
- **El Bibane 2P reserves are 2.4mmbbls and 13 Bcf net to Candax**
We carry \$0.40/sh. risked NPV for El Bibane, as the development does have associated risk – landing hztl wells in the oil column could be tricky.
- **Strong production outlook for El Bibane & Ezzaouia – Spec. Buy**
2008E DACF of \$0.46/sh & risked NPV/sh. of \$0.94 drive our \$1.35 target price. CAX currently trades at 1.7x 2008E DACF.

Financial Summary

Shares O/S (M FD)	171.0	52-Week Trading Range	\$0.39-\$1.08	
Market Capitalization (M)	\$169	Average Weekly Volume	2,024,119	
Net Debt - 2007E (M)	-\$35	Market Float (M)	\$160	
Enterprise Value (M)	\$134	Risked Portfolio NPV/share (FD)	\$0.94	
Forecasts	2005	2006	2007E	2008E
Production (boe/d)	815	527	2,029	4,936
% gas	57%	0%	12%	20%
Wtd Ave Realized Price (\$/boe)	\$55.03	\$68.60	\$61.73	\$56.40
CapEx (M)	\$48.1	\$26.4	\$30.0	\$20.0
Oil and Gas Revenue (M)	\$12.9	\$13.2	\$45.7	\$101.6
Total Revenue (M)	\$13.9	\$16.3	\$44.5	\$97.5
Debt Adjusted Cash Flow (M)	\$7.4	\$10.9	\$37.4	\$78.3
DACFPS (FD)	\$0.04	\$0.06	\$0.22	\$0.46
EPS (FD)	(\$0.01)	(\$0.00)	\$0.13	\$0.27
Valuation	2005	2006	2007E	2008E
EV/DACF	25.3x	27.6x	3.6x	1.7x
EV/BOE/d (per unit production)	n/m	n/m	\$66,165	\$27,201
P/E	n/m	n/m	7.4x	3.7x

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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