

Candax Energy Inc. (CAX-T; \$0.58)**Recommendation: Market Perform***Malcolm Shaw, P.Geol. (416) 640-4949; mshaw@wwcm.com**Dan MacIntyre (416) 640-4892; dmacintyre@wwcm.com*
WELLINGTON WEST
Capital Markets Inc.

May 16, 2007

All values in C\$ unless otherwise noted.

Current Price	\$0.58
Target Price (12-Month)	\$0.80
Implied Capital Gain	38%

Changes

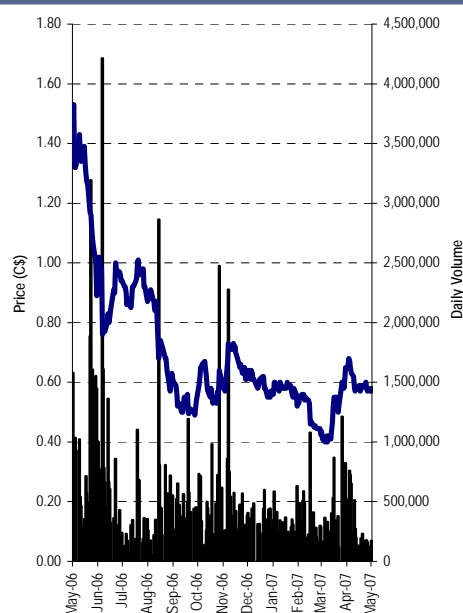
	Old	New
EPS 2007	\$0.06	unchanged
DACF/sh FD 2007	\$0.10	unchanged
EPS 2008E	\$0.12	unchanged
DACF/sh FD 2008E	\$0.22	unchanged
Recommendation	Mkt. Perform	unchanged
Target Price	\$0.80	unchanged

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 ~3,000 boepd by 2008 if the El Bibane Field development is successful. Current Tunisian production is ~400 bopd.

Can Candax Break Out of the Doldrums? June Drilling Expected at El Bibane

- **Candax plans to drill at El Bibane in June – 2000 bopd net potential**
Bermuda-based Seadrill was recently contracted to provide the West Titania jack-up rig for June drilling. Rig mobilization is underway.
- **2 producers & 1 gas injector well planned – 4.2mmboe 2P reserves**
2 horizontal producers are planned at El Bibane. 2.3mmbbls + 11.4Bcf 2P net reserves are being targeted. Facilities and pipelines mostly ready.
- **Loads of cash on hand and 415 bopd Q1 average production**
CAX has \$45MM in cash on hand (~\$0.25/sh) available to fund El Bibane capex. Net production of 415 bopd comes mostly from Ezzaouia.
- **Rig contract fuels El Bibane optimism – Market Perform maintained**
Projected 2008 DACF of \$0.22/sh & risked NPV/sh of \$0.62 drives our target. Arrival of Seadrill rig in June is expected to be the next catalyst.

Price Chart

Source: PCQuote

Financial Summary

Shares O/S (M FD)	180.6	52-Week Trading Range	\$0.46-\$1.73	
Market Capitalization (M)	\$105	Average Weekly Volume	3,771,779	
Net Debt - 2007E (M)	-\$37	Market Float (M)	\$70	
Enterprise Value (M)	\$67	Risked Portfolio NPV/share (FD)	\$0.62	
Forecasts	2005	2006	2007E	2008E
Production (boe/d)	815	527	1,413	3,000
% gas	57%	0%	21%	24%
Wtd Ave Realized Price (\$/boe)	\$55.03	\$68.60	\$56.14	\$54.15
CapEx (M)	\$48.1	\$26.4	\$30.0	\$20.0
Oil and Gas Revenue (M)	\$12.9	\$13.2	\$28.9	\$59.3
Total Revenue (M)	\$13.9	\$16.3	\$31.9	\$60.9
Debt Adjusted Cash Flow (M)	\$7.4	\$10.9	\$23.0	\$37.6
DACFPS (FD)	\$0.04	\$0.06	\$0.10	\$0.22
EPS (FD)	(\$0.01)	(\$0.00)	\$0.06	\$0.12
Valuation	2005	2006.0x	2007E	2008E
EV/DACF	12.7x	13.9x	3.5x	1.9x
EV/BOE/d (per unit production)	\$82,698	\$127,969	\$47,690	\$22,458
P/E	n/m	n/m	10.4x	4.7x

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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