

Candax Energy Inc. (CAX-T; \$0.90)

Recommendation: Speculative Buy

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WELLINGTON WEST
Capital Markets Inc.

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All values in C\$ unless otherwise noted.

Current Price	\$0.90
Target Price (12-Month)	\$1.25
Implied Capital Gain	39%

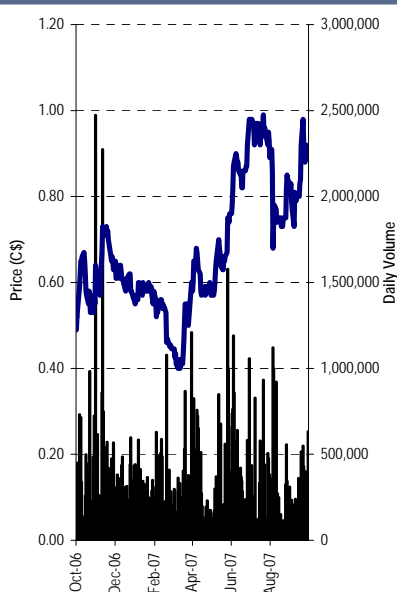
Changes

	Old	New
EPS 2007E	\$0.13	\$0.12
DACF/sh FD 2007E	\$0.22	\$0.19
EPS 2008E	\$0.27	\$0.25
DACF/sh FD 2008E	\$0.46	\$0.41
Recommendation	Spec. Buy	Unch.
Target Price	\$1.35	\$1.25

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

Better Late Than Never – El Bibane Update Shows Redevelopment Plans are On Track

- EBB-4 finds a 25-30m gross oil column as expected**
 Drilling of the vertical EBB-4 well shows that interpreted fluid contacts in the field are in-line with expectations. Horizontal well to follow.
- 500m horizontal leg currently being drilled – 3,000 bopd targeted**
 Candax expects an initial production rate of ~3,000 bopd from the EBB-4 well sometime in November. CAX has a 73.8% interest at El Bibane.
- Chaal and Ezzaouia onshore drilling planned for early 2008**
 Ezzaouia infill / recompletion program and return to Chaal gas project contribute to risked EMV/sh of \$1.70.
- CAD/US parity trims 2008F DACF; target trimmed to \$1.25**
 2008E DACF drops to \$0.41/sh from \$0.46/sh on dollar parity outlook. CAX currently trades at 1.9x 2008E DACF. Speculative Buy maintained.

Financial Summary

Shares O/S (M FD)	171.0	52-Week Trading Range	\$0.39-\$1.00	
Market Capitalization (M)	\$154	Average Weekly Volume	1,913,277	
Net Debt - 2007E (M)	-\$18	Market Float (M)	\$145	
Enterprise Value (M)	\$136	Risked Portfolio NPV/share (FD)	\$0.84	
Forecasts	2005	2006	2007E	2008E
Production (boe/d)	815	527	1,963	4,936
% gas	57%	0%	13%	20%
Wtd Ave Realized Price (\$/boe)	\$55.03	\$68.60	\$56.79	\$50.78
CapEx (M)	\$48.1	\$26.4	\$30.0	\$20.0
Oil and Gas Revenue (M)	\$12.9	\$13.2	\$40.7	\$91.5
Total Revenue (M)	\$13.9	\$16.3	\$39.7	\$87.9
Debt Adjusted Cash Flow (M)	\$7.4	\$10.9	\$32.9	\$70.1
DACFPS (FD)	\$0.04	\$0.06	\$0.19	\$0.41
EPS (FD)	(\$0.01)	(\$0.00)	\$0.12	\$0.25
Valuation	2005	2006	2007E	2008E
EV/DACF	25.5x	27.9x	4.1x	1.9x
EV/BOE/d (per unit production)	n/m	n/m	\$69,172	\$27,505
P/E	n/m	n/m	7.7x	3.6x

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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