

Candax Energy Inc. (CAX-T; \$0.52)**Recommendation: Market Perform**Malcolm Shaw, P.Geol. (416) 640-4949; mshaw@wwcm.comDan MacIntyre (416) 640-4892; dmacintyre@wwcm.com

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All values in C\$ unless otherwise noted.

Current Price	\$0.52
Target Price (12-Month)	\$0.65
Implied Capital Gain	25%

Changes

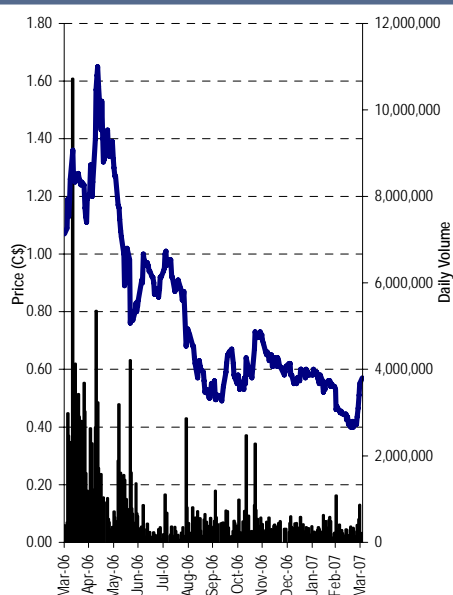
	Old	New
EPS 2006	\$0.00	Unchanged
DACF/sh FD 2006	\$0.06	Unchanged
EPS 2007E	\$0.03	Unchanged
DACF/sh FD 2007E	\$0.05	Unchanged
Recommendation	Unch.	Unchanged
Target Price	\$0.65	Unchanged

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 ~2,500 boepd by 2008 if the El Bibane Field development is successful. Current Tunisian production is ~500 bopd.

Candax Treads Water as the Wait for El Bibane Offshore Drilling Rig Drags On

- **Production steady at ~500 bopd from Tunisian onshore assets**
500 bopd production maintained from the Ezzaouia and Al Manzah fields. Drilling & work-overs at Ezzaouia offer modest growth potential in 2007.
- **\$51 million cash and 7mmboe 2P reserves offer price support**
Cash represents ~\$0.30/sh. Ryder Scott NPV10 on 2P reserves suggests an additional \$0.63/sh in value. We calculate risked NPV of \$0.67/sh.
- **Drawn out El Bibane, Chaal, & Triassic opportunities weigh heavy**
Delays at El Bibane plague the company and test investor patience. Chaal uncertainty remains. Deep Triassic upside drill timing unknown.
- **Upside potential remains for patient investors – Market Perform**
We believe the cash position & reserves support share price. \$0.67 risked NPV/sh supports our 65¢ target. El Bibane development upside remains.

Price Chart

Source: PCQuote

Financial Summary

Shares O/S (M FD)	168.9	52-Week Trading Range	\$0.42-\$1.73	
Market Capitalization (M)	\$90	Average Weekly Volume	5,898,586	
Net Debt - 2005E (M)	-\$37	Market Float (M)	\$64	
Enterprise Value (M)	\$52	Risked Portfolio NPV/share (FD)	\$0.67	
Forecasts	2005	2006	2007E	2008E
Production (boe/d)	815	527	623	2,805
% gas	57%	0%	0%	16%
Wtd Ave Realized Price (\$/boe)	\$65.61	\$68.85	\$70.00	\$59.53
CapEx (M)	\$48.1	\$26.4	\$30.0	\$30.0
Oil and Gas Revenue (M)	\$12.9	\$13.2	\$15.9	\$60.9
Total Revenue (M)	\$13.9	\$16.3	\$18.9	\$67.4
Debt Adjusted Cash Flow (M)	\$7.4	\$10.9	\$11.7	\$41.8
Shares Outstanding (M)	77.1	168.9	170.0	170.2
DACFPS (FD)	\$0.04	\$0.06	\$0.05	\$0.25
EPS (FD)	(\$0.01)	(\$0.00)	\$0.03	\$0.15
Valuation	2005	2006.0x	2007E	2008E
EV/DACF	9.8x	10.7x	6.5x	1.3x
EV/BOE/d (per unit production)	\$63,955	\$98,965	\$83,597	\$18,577
P/E	(46.1x)	n/m	n/m	3.5x

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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