



## Candax Enters into Farm-Out Agreement on Chaal Permit

Toronto, Ontario, Canada – Candax Energy Inc. ("Candax") [TSX: CAX] announces that the Company has entered into a Farm-Out Agreement (the "Agreement") on the Chaal Permit with SacOil Holdings Limited, an international upstream oil and gas company ("SacOil"), listed on the Johannesburg Stock Exchange ("JSE").

The Agreement provides for SacOil to earn a 55% interest in the Chaal permit by paying for 80% of the costs related to the drilling of a sidetrack to the previously drilled Chaal-1 well, up to a limit of US\$6.4 million (corresponding to a gross estimated cost of the sidetrack of US\$8 million). Candax, through its wholly owned subsidiary Falcan Chaal Petroleum Limited will retain operatorship and an 18.75% interest in the field and Candax partners SMIP (Société de Maintenance d'Installations Pétrolières) and Mitsubishi Corporation will hold 6.25% and 20%, respectively. SacOil will also pay Candax US\$3.6 million at the time a development plan for the field is approved by the Tunisian authorities, which is expected to occur after the sidetrack has demonstrated commercial quantities of natural gas.

A one-year extension of the Chaal permit is a condition precedent to the Agreement, which also remains subject to certain other conditions precedent, including, but not limited to, the acceptance of the Agreement by the Tunisian authorities, the Bank of Scotland (lender to Candax) and the shareholders of SacOil. Candax and its partners intend to initiate formal discussions with the Tunisian authorities very shortly on the possibility of an extension.

Richard Norris, CEO of Candax, stated: "We are pleased to enter into this Agreement with a financially strong partner, which if accepted, will allow us to move forward with the exciting Chaal project and commence designing the best possible solutions to ensure commercial gas flows from the Chaal-1 appraisal side track. Not only will this farm-out potentially allow for flow testing appraisal of the Chaal-1 discovery, but it will also limit the cash commitment of Candax at a time when our efforts are focused on restoring production at El Bibane, which remains key in generating positive cash flows again."

SacOil (formerly SA Mineral Resources Corporation Limited) was historically a diversified mineral resources company focused on the exploration and evaluation of diversified mineral resources deposits and the development of mineral resource based projects in Africa. SacOil was listed in 1994 on the venture capital sector of the JSE and has since been relisted under the oil and gas subsector of the JSE as its focus changed to being an integrated oil and gas entity refocused on acquiring oil and gas assets in Africa. SacOil has strong institutional backing and its current shareholders include Investec Bank Limited, Metropolitan Asset Managers and the South African Export Fund. SacOil's two major institutional shareholders, Investec Bank Limited (which has assets under management in excess of £52 billion) and Metropolitan Asset Managers (which has assets under management in excess of US\$13 billion) financially support SacOil's transactions.

Candax Energy Inc. is an international energy company with its head office in Toronto and offices in London, Tunis, and Madagascar. The Candax group is engaged in exploration and the production of oil and gas and power generation in Tunisia and holds an interest in an exploration permit in Madagascar.

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