



Candax Operations Update

Toronto, Ontario, Canada – Candax Energy Inc. ("Candax") [TSX: CAX] reports that the work-over intended to reduce water production from the El Bibane 4 (EBB-4) well has been completed. In addition, a down-hole investigation into the production cessation that occurred at El Bibane 3 (EBB-3) has also been completed and the barge, coiled tubing unit and other related equipment have been de-mobilized.

The objective of the EBB-4 work-over was to substantially reduce the level of water production from the well. However, flow testing over the last five days has demonstrated that water production has not been reduced and that the work-over was not successful. The investigation on the EBB-3 well has determined that a failure in the production tubing near the top of the well is the cause for the loss of production. The technical team is putting together remedial work programs for both EBB-4 and EBB-3 wells and the scope and timing of these programs will be disclosed in due course.

As a short-term interim measure, Candax is continuing the gas lift operations on the EBB-4 well using gas from the EBB-5 well on a 1/4" choke. The Company is producing limited volumes of condensate and gas from the field at approximately 250 bopd and 7.5 mmcf/d respectively and the gas is being supplied to the SEEB power plant. This is an interim measure pending review of the logs and other aspects of the production performance, which will be kept under close review. These measures may be subject to further change pending additional reservoir management assessment and the timing and scope to implement the remedial work plan referred to above.

Although the mechanical problems identified in both the EBB-3 and EBB-4 wells are significantly affecting the Company's oil production in the short term, the Company does not believe that the problems have any material impact on previously reported estimates of the remaining reserves in El Bibane.

Candax currently has approximately US\$4 million of cash reserves but, as disclosed in the Company's second quarter Financial Statements, there continue to be concerns relating to the Corporation's liquidity and working capital position and thus going concern issues, as previously reported, continue to be relevant. The Company is continuing to work closely with its professional advisors and with its bankers to develop the best forward strategy to address these matters.

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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