

**Tristone Capital Inc.  
Producer Update**



**Canext Energy (CXZ-T, \$0.70)  
12 Month Target \$1.40, Top Pick**

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			2006A	2007A	2008E	2009E
Shares (basic, mm)	76.2	CFPS	\$0.03	\$0.08	0.14	0.21
Shares (FD, mm)	80.2	EPS	\$0.03	(\$0.25)	(\$0.03)	(\$0.02)
Market Cap \$mm	\$53	EV/DACF	nmf	13.7x	5.6x	3.8x
Enterprise Value \$mm	\$63	P/EPS	20.0x	nmf	nmf	nmf
		D/CF	nmf	2.3x	0.9x	0.7x
Recommendation	<b>Top Pick</b>	Oil & NGL mb/d	0.0	0.1	0.2	0.4
Current Price	\$0.70	Gas mmcf/d	0.9	4.1	5.9	6.9
12 Month Target	\$1.40	BOE (6:1) mboe/d	0.2	0.8	1.2	1.5
Expected Return	<b>100%</b>					

Note: Unless otherwise stated all per share figures are diluted and all production volumes are gross of royalties.

**Big Neighbours Moving In at Pouce; Q1 As Expected**

- **No Surprises with Q1/08 Results.** Canext reported Q1/08 Production of 1,096 boe/d, marginally ahead of our 1,075 boe/d and in-line with previous guidance. CFPS of \$0.03 matched our estimate.
- **Pouce Coupe Real Estate Value Heating Up.** Supporting Canext's interpretation that its lands at Pouce are prospective for the Montney, several operators have been actively drilling and applying for downspacing approval on offsetting lands. This includes EnCana (12 wells/section in Lower Montney), Talisman (8 wells/section in Lower Montney), Canadian Natural (4 wells/section in Lower Montney) and Birchcliff (4 wells/section in Upper Montney).
- **Montney Activity Kicks-off Post Break-up.** Canext plans to drill 2 (0.75 net) horizontal Montney wells in 2008, one in the upper and one in the lower. Two (1.1 net) vertical wells will also be drilled to extend the Montney trend. The company has identified 21 net horizontal wells on its lands at 2 wells/section. We believe this is conservative considering the downspacing applications made by peers on offset lands.
- **Dispositions Partially Complete.** Canext previously intended to dispose of 500 boe/d of production to focus on its Pouce Montney and Clear Hills oil assets. The company has decided to reject many of the offers in light of rising commodity prices, though has entered a conditional sale to divest of 220 boe/d for ~\$6.8 mm.
- **Valuation Attractive Upside for Free.** Trading below our NAV of \$0.91/sh, we believe the upside associated with the Montney tight gas and Clear Hills light oil plays are free upside from the current share price. We maintain our Top Pick rating and our \$1.40/sh target price based on 7.2x 2009 EV/DACF.

Important Disclosures:  
Please see back  
two pages

**CANEXT ENERGY (CXZ-V)****Rating: Top Pick**

Target EV,DACF:	7.2x	Recent Price:	\$0.70	
Target PE Ratio:	na	Target Price:	\$1.40	
Earnings Weighting:	0%	Expected Return:	100%	
			2006A	2007A
			2008E	2009E
<b>Pricing</b>				
WTI (\$US/b)			66.10	72.30
Corporate Oil & Liquids Price (\$/b)			64.00	67.97
Corporate Natural Gas Price (\$/mcf)			6.48	6.21
			8.34	8.73
<b>Production Volumes</b>				
Oil & Liquids (mb/d)			0.03	0.09
Natural Gas (mmcf/d)			0.9	4.1
Mboe/d (@ 6:1)			0.19	0.8
Production Growth			nmf	314%
Production Per Share Growth (boe/mm shares)			nmf	107%
Gas Production Ratio (6:1)			84%	88%
			85%	74%
<b>Financial Results</b>				
Cash Flow to Common (\$mm)			1	4
CFPS (Basic \$/Sh.)			0.03	0.08
<b>CFPS (Diluted \$/Sh.)</b>			<b>0.03</b>	<b>0.08</b>
Earnings to Common (\$mm)			1	(13)
<b>EPS (Diluted \$/Sh.)</b>			<b>0.03</b>	<b>(0.25)</b>
			<b>(0.03)</b>	<b>(0.02)</b>
<b>Multiples</b>				
Price/Cash Flow			21.8x	8.5x
EV,DACF			nmf	13.7x
PE			20.0x	nmf
EV/Reserves (\$/boe)				13.81
EV/Production (\$m/boe/d)				55.4
				36.0
				27.8
<b>Capital Structure</b>				
Basic Shares Outstanding (mm)			27.5	76.5
Market Capitalization (\$mm)			19	54
Year End Net Debt (\$mm)			(4)	10
Enterprise Value (\$mm)			16	64
Debt/CF			nmf	2.3
				0.9
				0.7
<b>Unit Costs and Netbacks - \$/boe (6:1)</b>				
Revenue			\$44.79	\$43.08
Royalties			(9.76)	(9.33)
Operating Costs			(8.39)	(11.40)
Operating Netback			\$26.64	\$22.35
G&A			(12.21)	(5.94)
Interest			2.44	(0.57)
<b>Netback (\$/boe)</b>			<b>\$16.87</b>	<b>\$15.83</b>
			<b>\$25.39</b>	<b>\$28.48</b>
<b>Other Information</b>				
Capex (\$mm)			11	64
Capex/CF			17.1	14.3
Undeveloped acres (000s)			30	106
NAV \$/Share				\$0.91
Price/NAV				77%
<b>Sensitivities (2009 Diluted CFPS)</b>				
Oil WTI +/- US\$1.00/b		0.5%	Oil +/- 100 b/d	19%
Gas +/- C\$0.25/mcf		2.9%	Gas +/- 1.0 mmcf/d	22%

**Valuation Methodology****Weighting**

12-month target established using a multiple of forecast Enterprise Value to Debt-Adjusted Cashflow.	100%
12-month target established using a multiple of forecast Earnings Per Share.	0%

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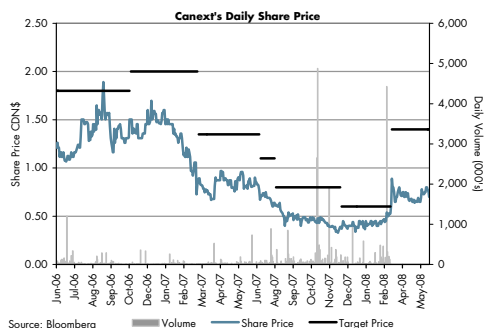
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Rating	Expected returns versus the peer group or sector	% of Tristone Universe
Top Pick	The highest risk-adjusted return	7%
Outperform:	Greater than the average of their peer group or sector	49%
Market Perform:	On par with the average of their peer group or sector	35%
Underperform:	Below the average of their peer group or sector	6%
Speculative:	Companies that carry high operational and/or financial risk where a change in a limited number of business variables can significantly change the valuation	3%



### Change Summary

Date	Rating	Target Price
08-Jun-06	Initiate at OP	\$1.80
14-Mar-08	TP from OP	\$1.40

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