

21 July 2009

## Canoel International Energy Ltd

Year End	Revenue (C\$)	PBT* (C\$)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
03/08	0.0	(0.01)	(1.2)	0.0	N/A	N/A
03/09	0.0	(0.47)	(4.7)	0.0	N/A	N/A

Note: \* PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

### Investment summary: Access to a unique geopolitical network

In less than nine months Canoel International Energy has built a portfolio in Tunisia and Mongolia. The company has developed a specific screening process to search for assets in politically stable countries and close to nearby infrastructure. With its board members providing a far-reaching geopolitical network, the company has the potential to acquire licences and develop its assets in a short time, and aims to provide a long-term return to its shareholders.

### Business model: Low political risk, fast track developments

The company wants to have a foothold in politically stable countries where the licence rights are not at risk and where potential discoveries are close to existing infrastructure, hence they could quickly create production revenues. Based on these criteria, the company decided to enter Tunisia (2008) and Mongolia (2009).

### Mongolia: Early stage of a growth opportunity

In May 2009 the company bought Shunkhlai Energy which owns 100% of Block XXIII in Mongolia. This block is promising as it is located between producing fields to the North and to the South on the Chinese side of the border and it reflects the typical risk-profile for projects that the company is likely to undertake in the future.

### Tunisia: A stepping stone

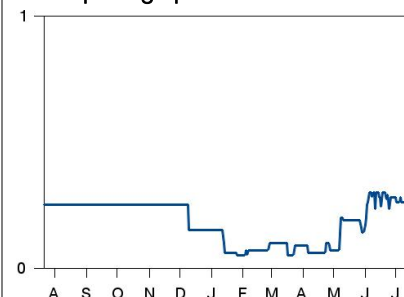
The company will participate in its first well in Q409, via the low risk 'Frida' well, which will target four million barrels of recoverable oil. The prospect lies within 5km of producing fields and, if successful, could be onstream with maiden production as early as Q110. Two additional wells are planned through 2010/11.

### Valuation: Mongolia, a near-term catalyst

We have calculated Canoel's risked exploration net asset value (RENAV) at C\$5.8m (37c per share) or C\$31m (C\$2 per share unrisks), based on the two prospects in Tunisia (Frida and Tiniya). The share price currently discounts any value for the Mongolian asset, which although very early stage remains an exciting opportunity. We will capture Mongolia in our valuation following the publication of the forthcoming independent reserves report, which is likely to be a positive near-term catalyst for this stock.

Price C\$0.35  
Market Cap C\$6m

#### Share price graph



#### Share details

Code CIL-CN  
Listing TSX V  
Sector Oil & Gas  
Shares in issue 15.8m

#### Price

52 week High 35.0c Low 5.0c

#### Balance Sheet

Debt/Equity (%)\* N/A  
NAV per share (c)\* 15.1  
Net cash (C\$m)\* 1.1  
RENAV (c) 37  
Unrisks RENAV (c) 196

\* As at 31 March 2009

#### Business

Canoel International Energy Ltd is an early stage exploration company listed on the TSX Venture Exchange in Canada. It has interests in exploration assets in Tunisia and Mongolia.

#### Geography based on revenues

UK	Europe	US	Other
0%	0%	0%	0%

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## Investment summary: First drilling in Tunisia

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### Company description: First step Tunisia

Canoe International Energy is an early stage exploration company with a set of promising exploration assets in Tunisia and Mongolia. Formed in 2007, the company started trading on the TSX Venture Exchange as a Capital Pool Company in April 2008. It raised C\$700,000 via IPO in March 2008 and a further C\$2,305,400 via a Short Form Offering and a Private Placement in November 2008. Its strategic focus is on exploration projects in proven hydrocarbon plays and it has interests in oil and gas assets in Tunisia and (since May 2009) is the operator of a large oil exploration block in Mongolia. It also looks to make opportunistic acquisitions of smaller producing assets in North America to add balance to the portfolio. In a market such as Mongolia, Canoe sees opportunity to add value to exploration assets that may have suffered from under-investment because of their geo-political location.

### Financials

In the year to March 2009 Canoe made a net loss of c C\$0.5m. Working capital absorbed C\$0.5m and investments C\$0.9m (of which C\$0.5m went to the operator of the Tunisian oil and gas assets). Payments for previously incurred seismic expenditures were C\$0.4m. In all, cash outflows were C\$1.75m, which, after net equity finance raised of C\$1.95m, left end March 2009 net cash at C\$1.1m. Current year outflows will include general/admin expenses (c C\$0.4m) capex in Tunisia (C\$0.6m) and c \$400,000 relating to the recently acquired Mongolian assets. Canoe has an option to lift its stakes in two of the Tunisian fields (Bazma and Sud Tozeur) from anything between 11% to 45%. With future financial commitments to drill wells in Tunisia, the company will require additional funding.

### Sensitivities

- **Strategic and country risk:** there is no guarantee the company's approach will continue to yield portfolio benefits and there can always be risk in emerging markets.
- **Subsurface risk:** there are risks to all natural resources projects. Canoe hopes to mitigate this risk by picking projects in proven producing areas.
- **Oil price risk:** oil price volatility could impact on the company's ability to economically develop any discoveries.
- **Financial risk:** the company faces a funding gap; we estimate it would need to raise at least C\$2.5m to progress its Bazma and Sud Tozeur licence in Tunisia based on a 11% interest. We highlight there is no guarantee this could be achieved in the current market.

### Valuation

We estimate Canoe's RENA at C\$5.8m, or 37c per share. This is a risked value relating to the Tiniya and Frida prospects in Tunisia assuming the company will exercise the option to increase its stake from 11% to 45%. On an unrisked basis, we estimate the company to be worth C\$31m, or C\$2 per share. We have also included a potential dilution from the back-in right of the Tunisia state oil company (ETAP) by 50%. The base assumptions for our valuation are an oil price of \$60/bbl and a 10% discount rate.

## Company description: Find fast path to drilling

Canoe's well-connected international management seeks to find a short cut in the search for attractive exploration projects, a process that can take less well-connected companies several years of wasted cash burn as they scout opportunities, forge relationships with host governments and attempt to crystallise legal terms. Canoe hopes to bypass this stage by taking over from companies fatigued by this early effort or from oil majors seeking to move on to more material projects. This opportunistic approach should enable Canoe to "piggy-back" on work undertaken by previous operators, thereby de-risking the project and creating a short cut on the route to first production. Once the company's exploration effort yields success in one area, Canoe plans to build on that position to attract larger, cash-rich companies and trade the asset for a profit.

This approach to portfolio-building has already yielded success, with Canoe securing two exploration projects within two years of its formation in September 2007:

- A right to earn an 11% interest in the Bazma, Jorf and Sud Tozeur blocks in Tunisia, and
- A controlling interest in Block XXIII in Mongolia.

Both projects meet its stated investment criteria (see Exhibit 1), ensuring a focus on politically stable countries with existing production and infrastructure. The company is also seeking to acquire producing assets in North America to bring near-term cash flows and operational credibility.

**Exhibit 1: Canoe's criteria for asset selection**

Investment criteria	Why?	Tunisia	Mongolia
A proven hydrocarbon area	Frontier areas are high risk and rewards are distant	Yes, the blocks lie close to producing fields	Yes, Mongolia has an emerging production industry and lies close to giant fields over the border in China
Close to infrastructure	To ensure timely delivery of production to market	Yes, there are existing pipelines	Yes, a railway line runs through the block
Onshore	Lower costs than offshore	Yes	Yes
Political stability	Security of title	Yes, 20-plus years of political stability and one of the best places to do business in North Africa. A well-established oil and gas industry with sound petroleum law	Yes, the country has been a parliamentary democracy since 1991, there is increased investment and very attractive contract terms

Source: Canoe International Energy; Edison Investment Research

## International management background

Canoe's strategy to participate in exploration assets in Tunisia and Mongolia and to buy smaller assets in North America is facilitated by a strong and geo-politically well-connected management team.

### Exhibit 2: Key members of the team

Name	Position	Background	Canoe's Competitive Advantage
Andrea Cattaneo	CEO & President	A former banker with 30 years of experience advising governments of emerging countries on financial and energy issues. He specialised in Former Socialist Countries completing financing for Capital Goods back in 1986. He made the first loan in convertible currencies to the government of Vietnam. He also sits on committees of other trans-national entities.	In depth knowledge of finance married with energy sector insight and high level international contacts.
James H. Grossman	Director & Chairman	Over 35 years of experience as an international and venture capital lawyer, including 10 years as an international arbitrator. Extensive experience of serving on the boards of AIM and TSX-Venture Exchange listed companies.	Extensive international network. World-class arbitration skills could prove useful.
Francesco Zofrea	Director	42 years of industry experience. Currently chairman of ENI Power, the electricity producing arm of Italian energy giant ENI. For 12 years he was the managing director of Agip Petroli, the largest company within the ENI group.	High level contacts in industry and governments of producing countries.
Dario Sodero	Director	35 years of industry experience in oil and gas exploration and production with various discoveries in his curriculum. Currently CEO & president of TSX-listed Cygam Energy, Canoe's partner in Tunisia	Extensive industry experience. Relationship will enhance Tunisian projects.
Jose Ramon Lopez-Portillo	Director	Over 30 years of political and business experience, having held senior positions in the Mexican government and the UN. He was twice Chairman of the Council of FAO. He is the founder of the Centre for Mexican Studies at Oxford University.	High-level geo-political contacts.
Emmanuel Olympitis	Director	Over 20 years of business experience, including executive chairman, chairman, CEO and non-executive director roles for London-listed firms. Presently Chairman of PetroCapital Resources plc, a London listed company only investing in energy related ventures.	Extensive experience of guiding quoted companies.
Luigi Regis Milano	Director	Over 35 years of downstream industry experience, having served as a director of oil refining, processing and trading companies. He is currently a director of DPL Lubricant, Italy, a private biodiesel refining company.	Downstream experience provides balance and additional investment opportunities.
Steve Austin	Interim CFO	A chartered accountant with 25 years of experience in energy accounting. He is a partner of Energy Accounting Services Inc, which provides accounting services to Canoe.	Specialist energy accountancy skills.
Dr Hans Oesterle	Vice President Exploration	A geologist with 40 years in the industry, including senior positions with Sasol Petroleum in West Africa and Houston-based Vaalco Energy. Involved in discovery of Etame offshore Gabon.	In-house geological expertise, with particular knowledge of West and North Africa.

Source: Canoe International Energy; Edison Investment Research

In June 2009, the company established an Advisory Committee to its board of directors, providing another level of expertise and insight to enhance the decision-making process. The first member of the Advisory Committee is Colin Russel, the former Canadian Ambassador to Venezuela and currently managing director of Emerging Markets Advisory Services Ltd and a director of TSX-listed Husky Energy Ltd.

## Tunisia: Near-term drilling investment opportunity

In July 2008, Canoe agreed farmout terms with TSX-listed Cygam Energy Inc, the Calgary-based operator of the Bazma, Jorf and Sud Tozeur exploration blocks in south-west Tunisia. Canoe has the right to earn an 11% interest in the blocks by paying between 15.4% and 18.7% of Cygam's past exploration costs and by paying a share of the costs of a first exploration well on each block at an estimated total cost of C\$3.6m. This deal was the Qualifying Transaction which enabled Canoe's TSX-V full listing. It also had an equity financing in November 2008 for C\$2.3m. An initial well (Bazma permit) targeting the Frida prospect is planned for drilling in Q309. This is, however, subject to additional financing or partnership, and rig availability. In the event of a successful outcome Frida could be quickly brought on-stream and maiden production could be achieved as early as Q110. Additional wells are planned through 2010/11.

### Exhibit 3: The Tunisian assets

Block	Location	Farm-in terms	Next steps
Bazma	Central Tunisia 1,616 sq km	Canoe to pay 18.7% of past costs and 18.7% of first well (11% pro-rata thereafter) to earn 11% working interest	Exploration well to test Frida prospect in Q409. It lies within 5km of a producing well and associated infrastructure.
Jorf	South Central Tunisia 3,768 sq km	Canoe to pay 15.4% of past costs and 15.4% of first well (11% pro-rata thereafter) to earn 11% working interest	Exploration well to drill by 2011. The proposed well would target a 1.6 million barrel prospect.
Sud Tozeur	Western Tunisia near the Algerian border 4,380 sq km	Canoe to pay 18.7% of costs and 18.7% of first well (11% pro-rata thereafter) to earn 11% working interest	Regional geological study with neighbouring operators to better understand this sparsely drilled area. Exploration well planned for Q410 to target deep Ordovician prospect.

Source: Canoe International Energy; Chapman Petroleum Engineering; Edison Investment Research

### Tunisian past and future capex

In the year to 2009, Canoe paid C\$0.92m to the operator (Cygam) of the Tunisian oil and gas assets for capital expenditure of which C\$0.49m is a cash advance over future payments and C\$0.43m was used to buy long lead items; a further C\$0.59m will be paid by Canoe in the current year. Future commitments include the drilling of one exploration well in Q409 and two additional wells through 2010/2011. Canoe's expected share of funding for the above (including the 2009 and 2010 figures already mentioned) is c C\$3.6m (C\$1.1m Bazma, C\$0.6m Jorf and C\$1.8m Sud Tozeur) of which C\$0.5m has been prepaid for Bazma. Canoe's commitments will increase proportionally should the company exercise the option to increase its stake to 45%.

Cygam and its partners in the block are required by agreement with ETAP, the state oil company, to drill one exploratory well under each of Jorf, Bazma and Sud Tozeur permits by August 2011, end 2016 and end 2017, respectively.

It is worth noting that the state oil company ETAP has the right to back-in to take 50% of the blocks, which would reduce Canoe's stake to 5.5%. However, in the event that Canoe exercises the option to increase its stake from 11% to 45% in the Bazma and Sud Tozeur block, the company's final net interest would be 22.5%. Canoe has paid Cygam C\$190,000 for this option and we believe it is likely to be exercised in the event of a successful fund-raising. This option is at Canoe's discretion and can be exercised at any time up to the spudding of the first well on each block.

## About Tunisia

Tunisia has an established oil and gas industry, with a wide range of international companies operating in the country, including Agip, Anadarko, BG, Kufpec, Marathon Oil, Petroceltic International, Petro-Canada and Cygam Energy. The country produces just over 95,000 barrels of sweet light oil per day and 211 million cubic feet of gas per day and has proved reserves of 400 million barrels and 2.3 trillion cubic feet of gas. Although not on the scale of its resource rich neighbours Algeria and Libya, this small oil producer does have its attractions. It is relatively unexplored (just 480 exploration wells drilled between 1932 and 2008), politically stable (Zine el Abidine Ben Ali, who came to power in 1987 in a bloodless coup, is currently serving his fourth five-year term as president) and offers an attractive investment regime for foreign operators (there is a progressive royalty rate of 2-15% depending on well productivity with an average profit tax of 30%). And, unlike its North Africa neighbours, Tunisia is a business-friendly nation: it is ranked 73rd out of 181 economies in the World Bank's Ease of Doing Business Index, beating Egypt (114) and Algeria (132) and just behind EU member Italy (65). State oil firm ETAP has established a solid track record since its formation in 1972, using its back-in rights to work closely with international oil firms such as BG and Lundin Petroleum to develop the country's onshore and offshore resources.

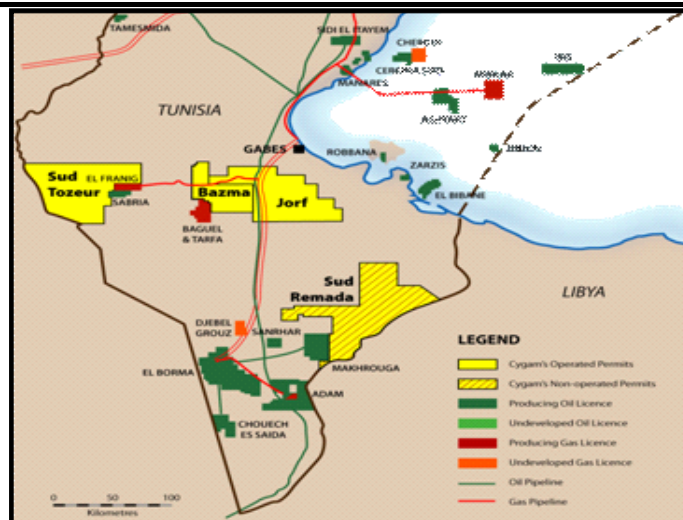
## About Cygam Energy

Cygam Energy (market cap C\$24m), which was formed in 2005 through the reverse acquisition of Sheer Energy, is listed on the TSX-Venture Exchange. It has interests in 10 exploration permits in Tunisia and Italy as well as minority interests in a collection of wells in Alberta, Western Canada, that produce between 30 and 40 barrels of oil equivalent per day. At the end of March 2009, the company had a net working capital balance of C\$2.2m and will need to seek additional financing, through equity financing or joint venture agreements, to further its exploration and development programme.

## Bazma: Potential for near-term production

There have been three previous wells on the Bazma block by previous operator Eurogas, all of which were P&A, possibly because they were poorly sited. As previously mentioned, the current operator, Cygam Energy, plans to drill its first well on the block in Q409, with long lead items (well head and casing) already purchased. The well will target Frida, which, according to Canoe's in-house numbers, has a mean oil-in-place estimate of 14 million barrels, with recoverable reserves of 4 million barrels, and carries a 38% chance of success. The commerciality threshold is low as this is onshore drilling close to existing production infrastructure: Frida lies within 5km of the Tarfa and Baguel pipeline, which means any discovery could be quickly hooked up and producing within three months (Q110).

There is further potential on the block. The larger but higher risk Tiniya prospect, which lies within a few kilometres of Frida, carries a best estimate recoverable reserve estimate of 16.7 million barrels of light oil and 50 billion cubic feet of associated gas, according to a Chapman Petroleum Engineering report of July 2008. The timeline for drilling Tiniya will depend on the outcome of the Frida well.

**Exhibit 4: Tunisian blocks**

Source: Canoel International Energy

### Sud Tozeur: High impact exploration potential

This is a large and sparsely drilled block. The Sud Nefta-1 well, drilled by previous operator Eurogas in 1998, encountered very high pressures and numerous oil and gas shows in the Triassic, Ordovician and Cambrian formations, but failed to flow hydrocarbons, possibly because of significant formation damage caused by drilling. An offset well could prove an interesting target, providing a possible multi-play well. There are a number of undrilled structures on the block that are on trend with proven fields in Algeria. Operator Cygam is keen to organise a regional geological and geophysical study involving nearby operators to better understand this underexplored area.

### Jorf: Permian reef targets

Jorf is located on the East of Bazma and it covers c 92,000 acres. In this block two pinnacle reefs have been identified as prospects Y and Z which are estimated to hold 10mmbbl net to the company. The operator (Cygam) drilled the Bhayra Rigo-1 well in August 2007 which confirmed the presence of a porous and dolomitised reef reservoir.

### Mongolia: Ground-floor entry in emerging oil play

In May 2009, Canoel agreed to pay US\$1.1m to buy Shunkhlai Energy, a subsidiary of Mongolian conglomerate Shunkhlai Group. Shunkhlai Energy was provisionally awarded Block XXIII in Mongolia (in the Gobi desert) in 2005 and its operatorship of the block was formally approved by the Petroleum Authority of Mongolia in 2008. In 2007 Swiss firm Manas Petroleum, which trades on the OTC BB exchange, signed an MoU with Shunkhlai Energy, giving it the right to buy a 90% interest in the Mongolian company. This MoU was not executed and Manas has since signed PSCs with the Petroleum Authority for Blocks 13 and 14.

### About Mongolia

Mongolia is a landlocked country, home to three million people, sandwiched between Russia and China. The country moved to a free-market democracy in 1990, with the first multi-party elections taking place in 1992. Since then, there have been orderly parliamentary and presidential elections, both held at least every four years. The country is a member of the UN and the WTO and has seen



robust economic growth in recent years, largely down to the strength of its mining and livestock industries. The World Bank praises Mongolia as one of the most open economies in the region.

The country has a small but growing production profile, pumping about 3,200 barrels per day in 2008. This is expected to rise as foreign oil companies see opportunities in this little explored country: many of the country's 13 prospective basins have seen little or no seismic work or drilling activity despite the proximity of prolific producing fields on the Chinese side of the border. Current investors include AIM-quoted PetroMatad, which plans to drill three wells on its acreage later this year, OTC-listed Manas Petroleum and PetroChina subsidiary Daqing Oilfield Limited. The latter company drilled 100 wells in 2008 and plans to drill 300 more in 2009. Past operators have shown it is possible to explore, add value and exit the country with a profit: in 2005, for example, London-listed SOCO International sold its interest in Blocks XIX, XXI, XXII to Daqing Oilfield in a deal worth up to US\$93m, in additional annual royalties.

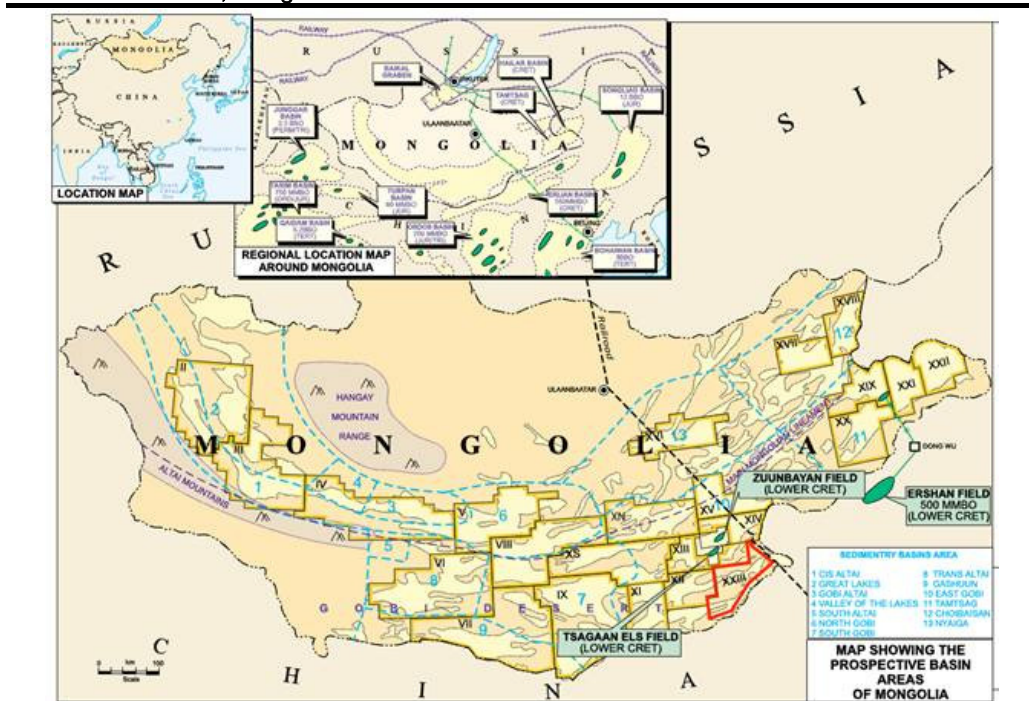
### Block XXIII

Block XXIII is a vast tract of land, some 13,575 sq km, in the Mongolian Gobi Desert, immediately north of the border with China. It is not frontier exploration, however, as the block lies in a proven producing area and the railway line from the Mongolian capital, Ulan Bator, to Beijing runs through the eastern part of the block, providing a useful export route. The Zuunbayan and Tsagaan fields, which lie just to the north of Block XXIII, produce about 1,600bpd from shallow Lower Cretaceous reservoirs and there is significant production, about 60,000bpd, from the giant Cretaceous fields in the prolific Erian Basin on the Chinese side of the border.

#### Block obligation deadline

- By June 2010: Spend US\$400,000 on data acquisition/processing
- By June 2011: Spend US\$4m on seismic acquisition
- By June 2014: Complete seismic acquisition and drill a first exploration well

Exhibit 5: Block XXIII, Mongolia



Source: Canoe International Energy



The block has seen little exploration since the Soviet era, when there were gravity and surface surveys over the acreage, so the application of modern exploration techniques could illuminate unseen potential. The reprocessing of this vintage data has identified several large structures under major regional thrust faults that will need to be defined on modern seismic. Canoe has committed to spend US\$46m on this exploration project over the next five years, of which US\$400,000 is payable in 2009/2010 and US\$4m in 2010/11.

Canoe's large operated stake in the project – the vendor of the block retains a 6% free carried working interest through to first commercial discovery – presents an opportunity to farm-down to third parties, thereby retaining its own funds for other projects and establishing relationships with credible operators.

## Sensitivities

- **Strategic risk:** there is no guarantee the company's approach will yield portfolio benefits. However, the company has successfully signed four licences in little over a year since its April 2008 IPO.
- **Country risk:** there are risks attached to investing in North Africa and Asia. Canoe hopes to mitigate this risk by focusing on countries with emerging, business-friendly economies.
- **Subsurface risk:** there are risks to all natural resources projects. Canoe hopes to mitigate this risk by picking projects in proven producing areas.
- **Oil price risk:** oil prices have been very volatile over the past 12 months. Canoe has no production, but does hope to add production in the near-to-medium term, either through acquisition or drilling success.
- **Financial risk:** to meet future exploration and drilling commitments the company will require additional funding or will need to enter a partnership.
- **Rig availability:** drilling schedules are subject to rig availability.

## Valuation

The company currently does not hold any producing assets and therefore a core NAV value is not applicable. We captured the company's risked exploration upside in our RENAV, which we estimate is worth C\$5.8m (or 37c per share) based on the Tiniya and Frida prospects in Tunisia; on an unrisked basis the company could be worth up to C\$31m (or C\$2 per share).

### Exhibit 6: Valuation

US\$/C\$	0.86		Unrisked						
	Country/ Licence	WI %	Hydroc. Fluid	Net Well Costs \$m	CoS %	Gross Reserves/Resources mmboe	Net mmboe	Netback NPV/boe \$/boe	EMV C\$m
Frida	Tunisia	22.5%	Oil	2.5	39%	4.0	0.9	6.1	0.7
Tiniya	Tunisia	22.5%	Oil	2.5	33%	16.7	3.8	6.1	6.8
								<b>Total</b>	<b>7.6</b>
									(0.6)
									(1.2)
								<b>Total</b>	<b>(1.8)</b>
<b>RENAV</b>								<b>Total</b>	<b>5.8</b>

Source: Edison Investment Research

In our valuation we have assumed that Canoe will exercise the option to increase its equity from 11% to 45% in the Bazma and Sud Tozeur blocks; and the potential dilution from the back-in right of the Tunisia state oil company (ETAP) to 50%. We have also assumed that the costs to exercise

the option would be C\$1.6m related to past expenditures. With a cash balance of C\$1m for the purpose of our valuation we are assuming a net debt of position of C\$1.6m and two years of G&A at C\$0.6m pa.

In the event the company decides not exercise its options, therefore remaining at 11%, then the risked value of Frida and Tiniya would fall to \$1.6m (C\$5.5 unrisked). The two prospects have combined gross resources of 20.7mmbbls and we have estimated a value of \$6/bbl based on a flat oil price of \$60/bbl and a 10% discount rate.

We will update our valuation with Block XXIII in Mongolia following the publication of the forthcoming independent reserves report.

## Financials

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### Revenues and earnings

Canoe does not yet generate revenues and in the year to March 2009 recorded a net loss of C\$0.47m. The losses comprised general and admin expenses including costs associated with completing its Qualifying Transaction and financing. The absence of costs related to the Qualifying Transaction means that overall general and admin costs are expected to be lower in the current year.

### Cash flow and balance sheet

Working capital absorbed C\$0.48m during the year and investments C\$0.88m (of which C\$0.49m was payment to the operator of the Tunisian oil and gas assets). Payments for previously incurred seismic expenditure were C\$0.43m. In all, cash outflows were C\$1.75m, which after net equity finance raised of C\$1.95m, left end March 2009 net cash at C\$1.09m. In the year to March 2010, outflows will include general and admin expenses (c C\$0.4m last year) and capital expenditure for the Tunisian assets (C\$0.59m). In Mongolia, C\$46m is committed over the next five years and the company estimated that only a small proportion of it, c C\$400,000, would fall in the current year.

Meanwhile Canoe has an option (for which it paid C\$0.19m) to lift its interests in two of the Tunisian fields (Bazma and Sud Tozeur) from 11% to 45%, which we estimate could cost around C\$1.5-2.0m. There are also planned outlays for the additional two wells in Tunisia. Excluding the C\$0.49m paid in the year to March 2009 and the C\$0.59m allocated for the current year, there remains around C\$2.5m to be paid as Canoe's share to the Tunisian operator over the next one to two years.

Canoe initially raised C\$0.3m in the year to March 2008 via private placing to the directors of the company and a further C\$700,000 via IPO in March 2008. In November 2008 a net C\$2.3m was raised via a Short Form Offering and private placement in November 2008, comprising a one common share/one share purchase warrant offer. At the end of March 2009 there were 15.8m shares outstanding, and 9.39m warrants.

Taking into account the Tunisian and Mongolian plans outlined above, and the potential exercise of its option to increase its working interest in the Bazma and Sud Tozeur permits, management is likely to raise funds from equity financing or from investing exploration partners.

**Exhibit 7: Financials**

Year end 31 March	C\$'000s	2008 Can.GAAP	2009 Can.GAAP
<b>PROFIT &amp; LOSS</b>			
<b>Revenue</b>		0	0
Cost of Sales		0	0
Gross Profit		0	0
<b>EBITDA</b>		(12)	(475)
<b>Operating Profit (before GW and except.)</b>		(12)	(475)
Exceptionals		0	0
Intangible impairment		0	0
Other		0	0
<b>Operating Profit</b>		(12)	(475)
Net Interest		0	7
<b>Profit Before Tax (norm)</b>		(12)	(467)
<b>Profit Before Tax (FRS 3)</b>		(12)	(467)
Tax		0	0
<b>Profit After Tax (norm)</b>		(12)	(467)
<b>Profit After Tax (FRS 3)</b>		(12)	(467)
<hr/>			
Average Number of Shares Outstanding (m)		1.0	9.9
EPS - normalised (c)		(1.2)	(4.7)
EPS - FRS 3 (c)		(1.2)	(4.7)
Dividend per share (c)		0.0	0.0
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Gross Margin (%)		N/A	100.0
EBITDA Margin (%)		N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A
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<b>BALANCE SHEET</b>			
<b>Fixed Assets</b>		0	895
Intangible Assets		0	0
Tangible Assets		0	895
Investments		0	0
<b>Current Assets</b>		899	1,614
Stocks		0	0
Debtors		4	520
Cash		895	1,094
Other receivables		0	0
<b>Current Liabilities</b>		(83)	(122)
Creditors		(83)	(122)
Short term borrowings		0	0
<b>Long Term Liabilities</b>		0	0
Long term borrowings		0	0
Other long term liabilities		0	0
<b>Net Assets</b>		816	2,387
<hr/>			
<b>CASH FLOW</b>			
<b>Operating Cash Flow</b>		0	(870)
Net Interest		0	0
Tax		0	0
Capex		0	(881)
Acquisitions/disposals		0	0
Financing		895	1,950
Dividends		0	0
Norwegian tax credit facility		0	0
Net Cash Flow		895	199
<b>Opening net debt/(cash)</b>		0	(895)
HP finance leases initiated		0	0
Other		0	0
<b>Closing net debt/(cash)</b>		(895)	(1,094)

Source: Edison Investment Research, Caneel International Energy

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
N/A	N/A	N/A	Litigation/regulatory	◐
			Pensions	○
			Currency	◐
			Stock overhang	○
			Interest rates	○
			Oil/commodity prices	●

Growth metrics	%	Profitability metrics	%	Balance sheet metrics		Company details	
EPS CAGR 05-09e	N/A	ROCE 08e	N/A	Gearing 08e	N/A	Address:	
EPS CAGR 07-09e	N/A	Avg ROCE 05-09e	N/A	Interest cover 08e	N/A	Suite 207, 525 11 <sup>th</sup> Ave SW, Calgary, Alberta T2R OC9 Canada	
EBITDA CAGR 05-09e	N/A	ROE 08e	N/A	CA/CL 08e	N/A	Phone	+1(403)6299799
EBITDA CAGR 07-09e	N/A	Gross margin 08e	N/A	Stock turn 08e	N/A	Email	info@canoenergy.com
Sales CAGR 05-09e	N/A	Operating margin 08e	N/A	Debtor days 08e	N/A	www.canoenergy.com	
Sales CAGR 07-09e	N/A	Gr mgn / Op mgn 08e	N/A	Creditor days 08e	N/A		

Principal shareholders		%	Management team
Cygam		14.3	<b>CEO and President: Andrea Cattaneo</b>
Andrea Cattaneo		5.2	A former banker with 30 years of experience advising governments of emerging countries on financial and energy issues. He specialised in Former Socialist Countries completing financing for Capital Goods back in 1986. He made the first loan in convertible currencies to the government of Vietnam, he also sits on committees of other trans-national entities.
Jose Ramon Lopez-Portillo		3.5	
James Grossman		0.9	
			<b>Vice-President Exploration: Dr Hans Oesterle</b>
			A geologist with 40 years in the industry, including senior positions with Sasol Petroleum in West Africa and Houston-based Vaalco Energy. He was involved in the discovery of Etame offshore Gabon.
Forthcoming announcements/catalysts		Date *	Director and Chairman: James Grossman
Interim results		September	James Grossman has over 35 years of experience as an international and venture capital lawyer, including 10 years as an international arbitrator. Extensive experience of serving on the boards of AIM and TSX-Venture listed companies.
<i>Note: * = estimated</i>			

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