

CGX Energy Inc.

OYL : TSX-V : C\$1.19

SPECULATIVE BUY

Target: C\$1.80

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COMPANY STATISTICS:

Forecast Return %:	51
52-week Range:	US\$0.26 - 1.55
Avg. Daily Vol. (000s):	155.3
Shares Out (M) basic:	126.1
Shares Out (M) fd:	135.0
Market Cap (M):	US\$127.6
Net Debt (M):	US\$(14.9)
Enterprise Value(M):	US\$112.7

EARNINGS SUMMARY:

FYE	2008A	2009E	2010E
Oil & NGL (b/d):	NA	NA	NA
Natural Gas (mmcf/d):	NA	NA	NA
Total (boe/d):	NA	NA	NA

EPS (fd)	(\$0.05)	(\$0.03)	(\$0.02)
CFPS (fd):	(\$0.01)	(\$0.01)	(\$0.02)

Commodity Prices	2008A	2009E	2010E
WTI (US\$/b):	\$99.92	\$60.00	\$70.00
NYMEX Gas (US\$/mmbtu):	\$8.89	\$4.25	\$6.00

SHARE PRICE PERFORMANCE:



COMPANY SUMMARY:

CGX Energy is a Canadian-based oil and gas company focused on offshore and onshore oil exploration in the Guyana-Suriname basin.

All amounts in US\$ unless otherwise noted.

Energy -- Oil and Gas, Exploration and Production

CORENTYNE LICENSE DRILLING SCHEDULED TO PROCEED IN 2010

Event

CGX Energy announced that it has reported to the President of Guyana that the company would be ready to drill under the Corentyne license at some point during the second-half of 2010. Current 3D seismic has successfully delineated the block with multiple prospects and CGX is now actively advancing its drilling program.

Impact

Neutral. The announcement is positive, as is the progression of 3D seismic processing and interpretation. Overall, however, this comes as part of the normal course as the company moves towards offshore drilling. We have been anticipating the eventual drilling sometime in 2010 and remain focused on the start of drilling and the subsequent results.

Valuation

We continue to rate CGX Energy as a SPECULATIVE BUY and have a 12-month target price of C\$1.80. We base our target price on the assumption that the company is able to successfully develop a 50 million barrel discovery from offshore Guyana with internal expertise and capital resources.

Next catalyst

The next catalyst for CGX is the finalization and approval of the Strategic Environment Assessment, additional information regarding the company's application to the government regarding a staging and storage facility, as well as the reopening of the data room and commencement of a joint-partner search.

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EYES ON THE PRIZE IN 2010

CGX Energy announced that the company has met with the President of Guyana and updated company plans for offshore exploration in Guyana. The company advised that it would be ready to drill under the Corentyne Petroleum Prospecting License (PPL) at some point during the second-half of 2010.

The drilling is after the completion of offshore data acquisition to delineate prospective drilling targets on the Block. The recent 3D seismic shoot has been successfully completed and is in the final stages of interpretation. From the seismic, CGX's technical team has delineated multiple prospects and CGX is now actively advancing its drilling program. Details regarding the specific progress that has been made include:

- CGX has customized its drill program to the requirements of the drill area. Through the acquisition and processing of 3D seismic, the company has been able to better identify leads while also reducing the estimated target depth by 9%. This has helped reduce well costs, and lowered expected temperature and pressure impediments while allowing the company a broader rig specification window.
- The Strategic Environmental Assessment is in the advanced stages of finalization.
- An application to the government has been made regarding the necessary staging and storage facilities required to support the drilling program.
- Exploration drilling projections beyond the Corentyne area have been made.

VALUATION

Our 12-month target price of C\$1.80 is based on the assumption that the company is able to develop successfully a 50 million barrel offshore discovery from offshore Guyana with internal expertise and capital resources. We note that independent third-party evaluation of the best prospects on the company's landholdings put the resource potential at 1.1 billion barrels on a low estimate basis, implying that this prospect has an approximate 5 percent chance of success. We rate the shares of CGX Energy SPECULATIVE BUY.

Figure 1: 50 million barrel scenario (per share)

Operating Costs (US\$/bbl)	NPV After-Tax @ 20% per FD Share Outstanding (\$C)								
	Long-term Crude Oil Price (US\$/bbl)								
	\$50	\$60	\$70	\$80	\$90	\$100	\$110	\$120	\$130
\$5.00	\$1.44	\$1.87	\$2.24	\$2.58	\$3.08	\$3.58	\$4.07	\$4.57	\$5.07
\$7.50	\$1.28	\$1.73	\$2.11	\$2.45	\$2.95	\$3.45	\$3.95	\$4.44	\$4.94
\$10.00	\$1.23	\$1.58	\$1.97	\$2.34	\$2.82	\$3.32	\$3.82	\$4.32	\$4.82
\$12.50	\$1.07	\$1.56	\$1.85	\$2.23	\$2.70	\$3.20	\$3.69	\$4.19	\$4.69
\$15.00	\$0.98	\$1.40	\$1.80	\$2.12	\$2.57	\$3.07	\$3.57	\$4.06	\$4.56

Source: Canaccord Adams

Figure 2: Summary of estimates

CANACCORD Adams

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CGX ENERGY INC.						OYL						
Recommendation SPEC BUY						Current price CS1.19						
12-month target price CS1.80						Total projected return* 51%						
November 23, 2009						* includes dividends payable						
ALL \$ AMOUNTS ARE IN US\$ UNLESS OTHERWISE NOTED												
Share Information						Market Multiples						
Market cap (\$M)	Current					2006A	2007A	2008A	2009E	2010E		
Shares O/S – basic (M)	\$127.6					NA	NA	NA	NA	NA	NA	NA
Shares O/S – float (M)	126.1					NA	NA	NA	NA	NA	NA	NA
Shares O/S – f.d. (M)	79.5					NA	NA	NA	NA	NA	NA	NA
52-week range	135.0					NA	NA	NA	NA	NA	NA	NA
Avg Daily Trading Volume (year)	CS0.26 CS1.55					NA	NA	NA	NA	NA	NA	NA
	155,295											
Valuation						Net Income						
Contingent Net asset value (CCI estimate)	Current					2006A	2007A	2008A	2009E	2010E		
Price/NAV	\$1.80					NA	(\$4.5)	(\$6.7)	(\$3.4)	(\$2.8)		
Enterprise value (\$M)	66%					(\$0.07)	(\$0.04)	(\$0.05)	(\$0.03)	(\$0.02)		
EV/proven reserves (\$/boe)	\$112.7					(\$0.07)	(\$0.04)	(\$0.05)	(\$0.03)	(\$0.02)		
	NA											
	2006A	2007A	2008A	2009E	2010E	Cash Flow						
EV/production (\$/boe/d)	NA	NA	NA	NA	NA	2006A	2007A	2008A	2009E	2010E		
Return on equity (%)	-14%	-6%	-6%	-3%	-3%	(\$5.5)	(\$2.8)	(\$1.4)	(\$1.2)	(\$2.8)		
Return on capital employed (%)	-73%	-18%	-15%	-8%	-7%	CFPS (basic)	(\$0.06)	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.02)	
						CFPS (f.d.)	(\$0.05)	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.02)	
						CFPS (f.d.d.)	(\$0.05)	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.02)	
Oil & Liquids Production (bbl/d)						Capital Expenditures & Debt						
First quarter	0	0	0	0	0	2006A	2007A	2008A	2009E	2010E		
Second quarter	0	0	0	0	0	Capital expenditures (\$M)	\$0.0	\$0.0	\$13.7	\$5.0	\$145.0	
Third quarter	0	0	0	0	0	Year-end net debt (\$M)	(\$0.7)	(\$37.0)	(\$22.4)	(\$14.9)	\$132.9	
Fourth quarter	0	0	0	0	0	Average net debt/cash flow	NA	NA	NA	(3.7)	0.4	
Annual	0	0	0	0	0	Year-end net debt/cash flow	0.1	13.4	16.3	12.2	(47.2)	
Natural Gas Production (mmcf/d)						Commodity Prices						
First quarter	0.0	0.0	0.0	0.0	0.0	2006A	2007A	2008A	2009E	2010E		
Second quarter	0.0	0.0	0.0	0.0	0.0	WTI oil (US\$/bbl)	\$66.13	\$72.29	\$99.92	\$60.00	\$70.00	
Third quarter	0.0	0.0	0.0	0.0	0.0	NYMEX gas (US\$/mmbtu)	6.73	6.97	8.89	4.25	6.00	
Fourth quarter	0.0	0.0	0.0	0.0	0.0	Realized oil & NGL (US\$/bbl)	NA	NA	NA	NA	NA	
Annual	0.0	0.0	0.0	0.0	0.0	Realized natural gas (US\$/mcf)	NA	NA	NA	NA	NA	
Total Production (boe/d) - 6:1						Netbacks (\$/boe)						
First quarter	0	0	0	0	0	2006A	2007A	2008A	2009E	2010E		
Second quarter	0	0	0	0	0	Revenue	NA	NA	NA	NA	NA	
Third quarter	0	0	0	0	0	Net royalties	NA	NA	NA	NA	NA	
Fourth quarter	0	0	0	0	0	Operating costs	NA	NA	\$0.00	NA	NA	
Annual	0	0	0	0	0	Operating netback	NA	NA	NA	NA	NA	
% crude oil & liquids	NA	NA	NA	NA	1%	Cash flow netback	NA	NA	NA	NA	NA	
Production growth	NA	NA	NA	NA	NA	CFPS (f.d.d.) Price Sensitivity						
Reserves - 6:1						2006A	2007A	2008A	2009E	2010E		
(at December 31, 2008)						+/- US\$1.00/b WTI	\$0.00	\$0.00	NA	NA	\$0.00	
Equivalent reserves (mmboe)	Oil Gas Total					+/- CS0.10/mcf Gas	\$0.00	\$0.00	NA	NA	\$0.00	
Proven	NA NA NA						0.0%	0.0%	NA	NA	0.0%	
Proven + probable	NA NA NA						\$0.00	\$0.00	NA	NA	\$0.00	
% Proven producing	NA NA NA						0.0%	0.0%	NA	NA	0.0%	
% Proven	NA NA NA											
% Crude oil & liquids	NA NA NA											
Reserve life – proven (yrs)	NA NA NA											
	1 Year 3 Year											
Proven F&D costs (\$/boe)	NA NA NA											
P+P F&D costs (\$/boe)	NA NA NA											
Proven reserve replacement ratio	NA NA NA											
Management Team						Reservoir Engineer						
Kerry Sully, President and CEO Birch Mountain, Ranchmen's Resources						Gustavson Associates						
Warren Workman, VP Exploratio Amoco, Unocal, Ranchmen's						Banker						
James Fairborne, CFO Vena Resources, Black Pearl Minerals						N/A						
						Bank Lines - Q3/08						
						N/A 2008A 2009E 2010E						
						N/A N/A N/A						

Source: Canaccord Adams estimates

Investment risks

Risks to our investment thesis include:

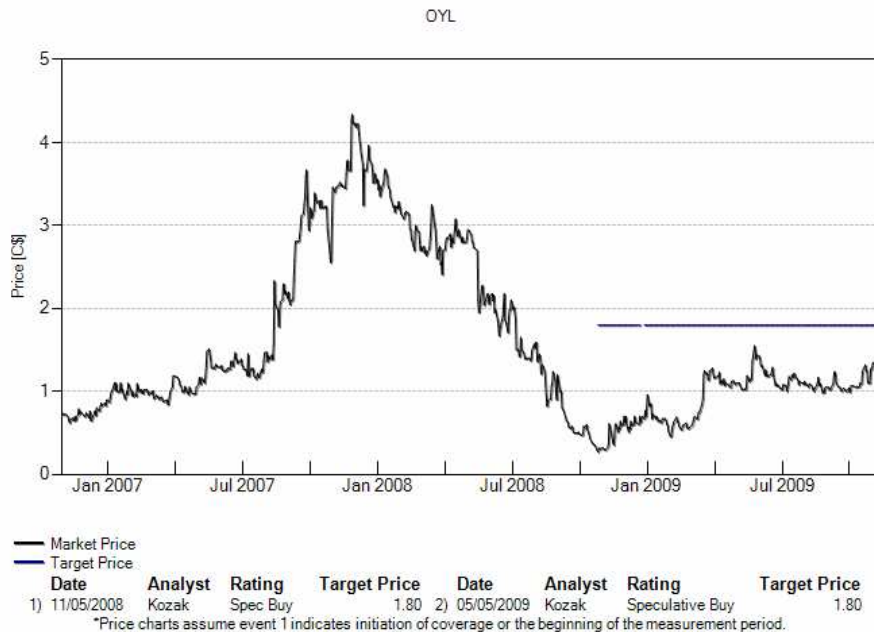
- An investment in the company's securities would be speculative due to the nature of the company's involvement in the exploration, development and production of oil and natural gas and its present stage of development.
 - Capital requirements and liquidity risks associated with the exploration, development and production of oil and natural gas from the company's Guyana assets.
 - Commodity price swings in crude oil and natural gas could impact CGX Energy's profitability.
 - Adverse changes to government regulations and fiscal terms. Any adverse changes could impact CGX Energy's execution and profitability.
 - A left-leaning government which is less business friendly could affect the profitability of the company's operations.
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Site Visit: An analyst has visited CGX Energy Inc.'s material operations head office in Calgary, Alberta. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



Distribution of Ratings:
Global Stock Ratings
(as of 2 November 2009)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	364	56.9%	27.7%
Speculative Buy	70	10.9%	52.9%
Hold	186	29.1%	17.2%
Sell	20	3.1%	5.0%
	640	100.0%	

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BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.
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SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

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Company	Disclosure
CGX Energy Inc.	7

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