NOREX ENERGY, INC. (OTC BB:NXPN)

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Recent Price: $0.55
Target Price: $2.50
(12-month)

Main Headquarters

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NOREX ENERGY
Northern Explorations Ltd.

NOREX ENERGY (Northern Explorations Ltd)		
(all figures in Millions)		
52 Week Hi/Lo Range	1.27/0.55	
Fiscal Year End	31-Mar	
Shares Outstanding (02/10/2008)	33.24	
Float (approximately)		
Share price (27/02/2009)	0.55	
Market Capitalization	18.3	
Average Volume (3 months)('000)	36.7	
Insider Ownership		
Institutional Ownership		
Enterprise Value	18.28	
Total L-T Debt (12-31-08)	0.000	
Total Cash (12-31-08)	0.000	
	03/31/2010	03/31/2012
	FY2010 E	FY2011 E
Earnings Per Share (EPS)	-0.01	0.15
Potential Adj Reserve Value/share (reserves less long-term liabilities and cash)	2.23	
$ millions	FY2010 E	FY2011 E
Total Revenue	3.240	12.006
Production Taxes		
Gross Profit/Loss		
Operating expenditures	3.500	5.000
Operating Income	-0.260	7.006
Other Expenses		
Net Pre-Tax Profit/Loss	-0.260	7.006
Tax Expense	0.000	2.102
Net Income	-0.260	4.904

NA = Not applicable/Not Available.
A = Actual Reported figures E = Estimates

Potential HydroCarbon Reserves (PV10 Category)	
Potential Oil/NG Reserves * (Bcf)	58.00
Realizeable NG Price ($/Mcf)	3.0
Net Reserve $ Valuation (millions)	174.0
Present Value of potential reserves @ 10%*	74.1

Capital Structure (12-31-2008)	
Authorized Common Stock	75 000 000

SPECULATIVE BUY RATING

Targeting Prolific Gas Reservoirs

Company Overview

Norex Energy (Northern Explorations Ltd.) (OTC BB:NXPN) is an energy exploration Company currently developing natural gas assets across North America. The Company has acquired a majority working interest in two natural gas projects located in California which show the potential to contain up to 50 BCF of gas and in Alberta, Canada which has the potential to contain 8 BCF gas with associated plant, pipeline and existing infrastructure.

- Norex is dedicated to the **acquisition, exploration and development** of outstanding natural gas opportunities across the United States and Canada.
- In Feb 2009, a payment of $376,692 was made for the acquisition of a **50% working interest in two California gas projects** in the Central Valley of California.
- Norex is now working with the operators towards finalizing the planning of the **first 2 gas wells** for the **2009 development program**. Plans are set to drill the first well in **June** and the second in **July**. Another **2** wells are earmarked for development in **2010**.
- Norex aims to benefit from what would be a **very short pay out** period for seismic, drilling and pipeline tie-in costs at the two wells targeted in its 2009 California Project.
- If proven to be commercially viable, this may represent a venture with an **in-situ** value of **greater than $50 million** in contained gas as a majority working interest partner.
- The company plans to provide **shareholder value through the assembly of asset and property combinations** which will include **exploratory promise, ongoing production, in-place infrastructure, growth potential** and the ability to offer both **short term returns** as well as **significant value** over the **long term**.
- Norex Energy's portfolio is believed to be **high quality prospects**. Its Californian interests holds potential to bring to **commercially viable 2,000-3,000 Mcfd natural gas production** that could create a **positive cashflow position** by end of **Q3 2009.**
- Estimated costs of **drilling and completing** the 2 wells in its 2009 development project is approximately **$2.1 million** all in. **Pipeline and tie-in infrastructure costs are estimated at $550,000**, resulting in a **total project cost of $2.65 million** in the current financial year.
- With **PG&E Citygate pricing** near $4.96 and given Norex' 78% NRI to the 100% WI, we expect thus 39% of all revenues to its 50% WI and an **ROI of less than 1 year.**
- Norex wants to enhance its portfolio of energy projects by entering into the **wind energy** sector by means of strategic acquisitions in Texas & Wyoming **wind corridor.**
- **Norex Energy continues target its production through the drilling of new wells and the recompletion of existing Alberta wells. It is also building a professional team capable to design and execute its plans for the aggressive growth of production and revenues. We believe access to adequate financing will enable Norex Energy to leverage its high-quality assets assembled to date, which will ultimately be accretive to shareholder value. When coupled with our medium term outlook for the backdrop for favorable supply-demand dynamics to feed positively into natural gas pricing for producers, and considering the Company's initiatives to broaden its participation into more working interests in high potential pays, we classify the shares in our SPECULATIVE BUY rating category. Our 12-month target price is pegged at $2.50 (12 PE multiple on our FY2011 EPS of 15c) based on our expectation that Norex Energy can establish a steady pace of adding new reserves and ramp annual production above 12000 Mcfd by FY2011. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 11-15).**

See Appendix A-1 for Analyst Certification and Important Disclosures.

THE COMPANY

Norex Energy (Northern Explorations Ltd.) (OTC BB: NXPN) is an early stage company engaged in the exploration, acquisition and development of resource projects, currently focused on **natural gas** as its primary endeavor. The Company is working rapidly towards announcements of negotiations with suitable vendors. Norex was founded on November 17, 2004. The company is duly incorporated in the State of Nevada**.**

Norex Energy (Northern Explorations Ltd.) is devoted to the careful identification and acquisition of high quality opportunities in the natural gas sector. The company plans to provide shareholder value through the **assembly of asset and property combinations** which will include **exploratory promise, ongoing production, in-place infrastructure, growth potential** and the ability to offer **both short term returns** as well as **significant value over the long term**.

Norex is pursuing exploration and development projects in both **California** and in **Alberta, Canada**. The US projects are located near Sacramento in California's Central Valley, a region that contains most of California's current and historic gas production. **California currently produces only 15% of its total natural gas requirements** and imports the remainder from surrounding states and as far a field as Canada. In the Sacramento area alone, the largest user of locally produced natural gas is the electrical utilities and even with the recent economic slowdown in the State, electrical consumption remains extremely high. The State of California itself is estimated to be the world's eighth largest economy and is a prolific consumer of natural gas. As a result, **natural gas pricing in California is consistently some of the highest in the country** with **PG&E Citygate** prices currently in the $5.00 per Mcf range.

Norex completed the execution of a formal purchase and sale agreement towards the acquisition of the aforementioned gas plays following its filing of documents. Following this deal, Norex acquired a **majority working interest** in these projects, which show a **potential to contain up to a combined total of 50 BCF gas**. Norex believes that the project, if proven to be **commercially viable,** may represent a venture with an **in-situ value of greater than $50 million in contained gas** to a **majority working interest partner.** Company management sees the company as well positioned in terms of its regional operations and feels that all participants and stakeholders in the industry should be heartened by the new "green" agenda and "green energy" focus that the Obama Administration is implementing. Norex specifically believes that its California natural gas development project meets the criteria under discussion at the Federal level and should benefit and flourish within the framework of any future initiatives and programs.

The **two-fold benefit and opportunity of natural gas** is straight-forward and easy to understand. Domestic U.S. production of natural gas will assist in **breaking the cycle of dependence on foreign oil** and **help provide clean energy that will reduce the carbon emissions of power plants across the country**. Norex believes that its aggressive focus on natural gas exploration and development will ensure the Company has a role to play in the overall strategy of the domestic industry's growth as part of the new administration's energy policy for the nation.

Norex is currently **reviewing a portfolio of wind energy projects located in the well documented Texas and Wyoming wind corridor.** The proposed projects bring together a variety of advanced and early stage opportunities thereby allowing Norex the ability to develop projects encompassing a mix of project development stages from permitting and licensing through to near completion. As part of its overall strategy the Company aims to acquire assets that are near term in regards to a potential revenue stream.

Norex is working with an industry group that brings a reliable history in the wind energy sector as regards the management of operations and logistics as well as access to state and federal government contacts and procedures. Norex's strategic plan is focused on the rapid development of an **effectively managed and convergent "green energy" company** offering an **aligned portfolio of both natural gas and wind power assets**.

The wind corridor runs from northern Texas through Wyoming to the Canadian border. The Texas panhandle is one of the premier wind energy corridors in the United States due to the low-lying topography, constant wind velocity and favorable access to transmission infrastructure. Texas has consolidated its lead over California as the nation's number one wind power State based on installed capacity. In total, **Texas wind farms now generate more than 4,300 Megawatts of wind power providing enough energy to serve 1.5 million homes**. An extensive Department of Energy study in 2007 said that building wind-based electrical generation capacity in the corridor could provide up to 20 percent of the U.S. power needs and create a potential for 138,000 new jobs in the first year with up to 3.4 million jobs over a 10-year span as the industry matures.

As an added incentive, the recent **American Recovery and Reinvestment Act of 2009** signed into law by President Obama, offers extensive provisions for wind power via government incentives and tax breaks for renewable energy companies which include a **3-year Production Tax Credit (PTC) extension through the end of 2012**, an option to elect a 30% Investment Tax Credit (ITC) in place of the PTC and a **new $6 billion Department of Energy renewable energy and transmission loan** guarantee program, which should fund around $60 billion in principal amount of guaranteed loans. Additionally, the Western Area Power Administration was granted the authority to borrow up to $3.25 billion from the Treasury to build renewable transmission lines in the western United States, including western Texas.

Norex's common shares are listed for trading on the electronic over-the-counter bulletin board (OTCBB) market in the United States and trades under the ticker symbol "NXPN."

OIL & GAS PROPERTIES

Norex has executed an agreement whereby the Company will acquire over a 60-day period certain assets in **Alberta, Canada** that include a **49% interest in a natural gas processing and compression facility, natural gas pipeline, additional infrastructure and certain lands** associated to the infrastructure from Dominus Energy AG. The Alberta project has been reviewed in detail by the Company over a 60-day due diligence period and is found to have the **potential to contain over 8 BCF of natural gas.** The Company also has the option to obtain the remaining 51% interest from the owner over a 2-year period.

In early February 2009, Norex Energy entered into a **50% working interest agreement in two California gas projects** in the **Central Valley of California**. The Company is now working with the operators towards finalizing the planning of the first two gas wells for the 2009 development program which is targeted for drilling to commence in June and for the second well in July. The Company paid **$376,692** in full for the acquisition of this **50% working interest in two California gas projects**. Norex has advanced the aforementioned funds covering prospect fees, seismic costs and land lease acquisition costs to the vendor through a Swiss financing group. Norex Energy is now working with the operators towards finalizing the planning of the first two gas wells for the 2009 development program.

The two projects are located in a region of California that contains some of the most prolific gas reservoirs in the **Sacramento Valley accounting for over 400 BCF of gas** production to date. In proximity to the prospects are prolific gas fields such as **Union Island (271 BCF), McMullin Ranch (63 BCF) and Vernalis (103 BCF).** Wells in these fields exhibit long life and stable rates of production and decline.

The first gas well is planned to target seismic data that indicates 50 feet of pay zone thickness at an 8,000 foot depth. If the sands are 100% gas filled and the well is commercially viable, the first well has a projected initial production rate of 5,000 Mcf/day. Analog wells to the field produce at rates of 2,000 to 4,000 Mcf per day. At January 30th PG&E-Citygate gas prices of $4.87, a **4,000 Mcf per day well would deliver cash flow exceeding $500,000 per month**. Norex believes that the project, if proven to be commercially viable, may represent a venture with an **in-situ value of greater than $50 million** in contained gas to a majority working interest partner.

- **Southern Alberta – Canada**

This Norex acquisition is located in Southern Alberta in close proximity to the Montana border. The facilities and installation consist of **6 miles of 6-inch high-pressure sour pipeline** tested to operate at **1200 P.S.I.** There are also **3.5 miles of 3-inch poly pipeline for produced water and a 2-inch poly pipeline for fuel gas.** The natural gas pipelines connect to a major trunk line operated by EnCana which extend out towards three gas wells ready for tie-in. Norex is currently undertaking plans to tie-in these gas wells.

The plant is situated on a secondary road and includes water tanks, a flare knock out tank and a flare stack. The facility is capable of treating sour gas by way of a chemical sweetening unit that can currently process gas volumes at 3 million cubic feet per day. The low-pressure system of the gas plant that is used for processing the low-pressure sweet gas has a dual separator unit that can be used for two shallow gas wells. Flow rates of both treated sour gas and sweet gas is identified using a dedicated metering unit. All the units in the plant are connected by an ABB RTU that monitors the volumes of sales gas, produced water, fuel gas and the sour gas analyzer unit connected to the (chem.-sweet) sour treating unit. The RTU gives the plant 24 hour monitoring capability via a wireless communications link. All units in the plant are connected by a modular piping utilidor that gives the plant ease of expandability without the need for a plant shutdown. This system allows for uninterrupted future development and expansion of the facility's gas processing **capacity to over 15 million cubic feet per day.**

Constructed in 2004, the gas plant is capable of processing sour gas by regenerative solution, as well as sweet gas compression, gas metering and water storage. The facility is a key strategic element to the downstream regional production of gas from the pipeline.

Norex Energy announced that the Company will acquire the above petroleum related assets in Alberta, Canada that include a **49% interest in this natural gas processing and compression facility; natural gas pipeline, additional infrastructure and certain lands associated to the infrastructure.** This project has been found to have the **potential to contain over 8 BCF of natural gas.** The Company also has the option to obtain the remaining 51% interest from the owner over a 2-year period.

Norex Energy announced in late January 2009 that its intention to preparing to **tie-in the initial gas well** in its **Southern Alberta Gas Project**, in conjunction with its field operator. The well has two commercially viable and productive zones of natural gas currently shut in with gas behind pipe.

The completed gas well was drilled in 2004 and produced exceptional well tests performed by Well Test Specialists of Calgary, Alberta. Norex and the operator, following a short 2-mile connection and tie-in to the gas plant, anticipate plant start up and production over the next 60 days.

Norex anticipates that it will **commence commercial production before the second quarter of 2009** and begin generating revenue shortly thereafter, of which Norex holds a 49% working interest with an option to acquire the additional 51%. All gas reservoirs have good permeability and porosity and could produce 3.2 million cubic feet (Mmcf) per day to the gas plant. At today's gas prices when the project is fully developed, **3.2 Mmcf would equate to production valued at approximately $4.9 million on an annualized basis**.

The gas will be processed at the **plant facilities** with an **overall throughput capacity of 15 Mmcf per day**. The plant processes sour gas by a non-regenerative solution, with sweet gas compression, metering and water storage capabilities. The Company's 6-inch pipeline connects with Encana's trunk (sales) line and also extends towards the aforementioned well tie-in.

- **California – Sacramento Valley**

Location:	Central Valley California, Sacramento Area near prolific gas fields such as Union Island (271 BCF), McMullin Ranch (63 BCF) and Vernalis (103 BCF).
Interest:	50% Working Interest
Defined:	Seismic Targets Defined by 2D and 3D
Drilling Timeline:	Two wells in mid-2009
Leasehold:	1,500 + gross acres
Average Depth:	20 to 50 feet of pay zone thickness at a 7,500-8,000 foot depth
Potential Reserves:	Combined Two Projects 50 BCF

Norex Energy has two California gas projects in the Central Valley of California. The Company is working with the operators towards planning the **first two gas wells for the 2009 development program**.

The targeted sandstone reservoir traps are located in one of the most prolific gas reservoirs in the Sacramento Valley **accounting for over 400 BCF of gas production** to date. In proximity to the prospects are prolific gas fields such as **Union Island (271 BCF), McMullin Ranch (63 BCF) and Vernalis (103 BCF)**. Wells in these fields exhibit long life and stable rates of production and decline.

The first well is planned to target seismic data that indicates 50 feet of pay zone thickness at an 8,000 foot depth. If the sands are 100% gas filled and the well is commercially viable, the **first well has a projected initial production rate of 5,000 Mcf/day.**

Analog wells to the field produce at rates of 2,000 to 4,000 Mcf per day. At January 30th PG&E-Citygate gas prices of $4.87, a 4,000 Mcf per day well would cash flow over $500,000 per month. Norex aims to benefit from what would be a very short pay out period for seismic, drilling and pipeline tie-in costs. Norex is now finalizing Purchase and Sale Agreements with the operator to obtain a majority working interest in these projects. Norex believes that the project, if proven to be commercially viable, may represent a venture with an in-situ value of greater than $50 million in contained gas to a majority working interest partner.

RESERVES

Definition of oil and gas reserves

Oil and Gas reserves are a primarily a measure of geological risk - the probability of oil and gas existing and being producible under current economic conditions using current technology. The three categories of reserves generally used are proven, probable, and possible reserves.

- **Proven reserves (1P or P90)** - defined as oil and gas "Reasonably certain" to be producible using current technology at current prices, with current commercial terms and government consent- also known in the industry as 1P. Some Industry specialists refer to this as P90 - i.e having a 90% certainty of being produced.

    - **Proved developed reserves** are proved reserves expected to be recovered, through wells and equipment in place and under operating methods being utilized at the time the estimates were made.

    - **Proved undeveloped reserves** are reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Estimates for proved undeveloped reserves are not attributed to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

- **Probable reserves (2P or P50)** - defined as oil and gas "Reasonably Probable" of being produced using current or likely technology at current prices, with current commercial terms and government consent - Some Industry specialists refer to this as P50 - i.e having a 50% certainty of being produced. - This is also known in the industry as 2P or Proven plus Probable.
- **Possible reserves (3P or P10)** - i.e "having a chance of being developed under favorable circumstances" - Some industry specialists refer to this as P10 - i.e having a 10% certainty of being produced. - This is also known in the industry as 3P or Proven plus Probable plus Possible.


Reserve booking

Oil and gas reserves are the main asset of an oil company - booking is the process by which they are added to the Balance sheet. This is done according to a set of rules developed by the Society of Petroleum Engineers (SPE). The Reserves of any company listed on the New York Stock Exchange (NYSE), which in practice means virtually every commercial company in the world, have to be stated to the U.S. Securities and Exchange Commission. In many cases external geologists audit these reported reserves, although this is not a legal requirement. The U.S. Securities and Exchange Commission (SEC) rejects the probability concept and prohibits companies from mentioning probable and possible reserves in their filings.

Thus, official estimates of proven reserves will always be understated compared to what oil companies think actually exists. For practical purposes companies will use proven plus probable estimate (2P), and for long term planning they will be looking primarily at possible reserves. Other countries also have their national hydrocarbon reserves authorities - for example, the GKZ - State reserves commission of Russia is where companies operating in these countries have to report. Estimates of proved developed and proved undeveloped reserves are not yet available for Norex Energy as of December 31, 2008.

Readers should note that reserve engineering is a **subjective process** of estimating underground accumulations of oil and gas. The accuracy of any reserve estimate is **a function of the quality of available data and of engineering and geological interpretation** and judgment. Estimates of different engineers often vary. Results of drilling, testing and production subsequent to the date of any estimate may justify revising the original estimate. Changes in oil and gas price levels can also affect the status of reserves.

INDUSTRY

According to the US Energy Information Administration's 2006 estimate, fossil fuels such as oil and natural gas **comprised roughly 60% of the world's total energy consumption** in 2004, estimated at **15 TW (Terawatts = 1.5x 10^{13} W).** Population and consumption trends, together with changing energy policies advocating that **substantial increases in current levels of production will be required to meet the expected growth in demand in coming years.**

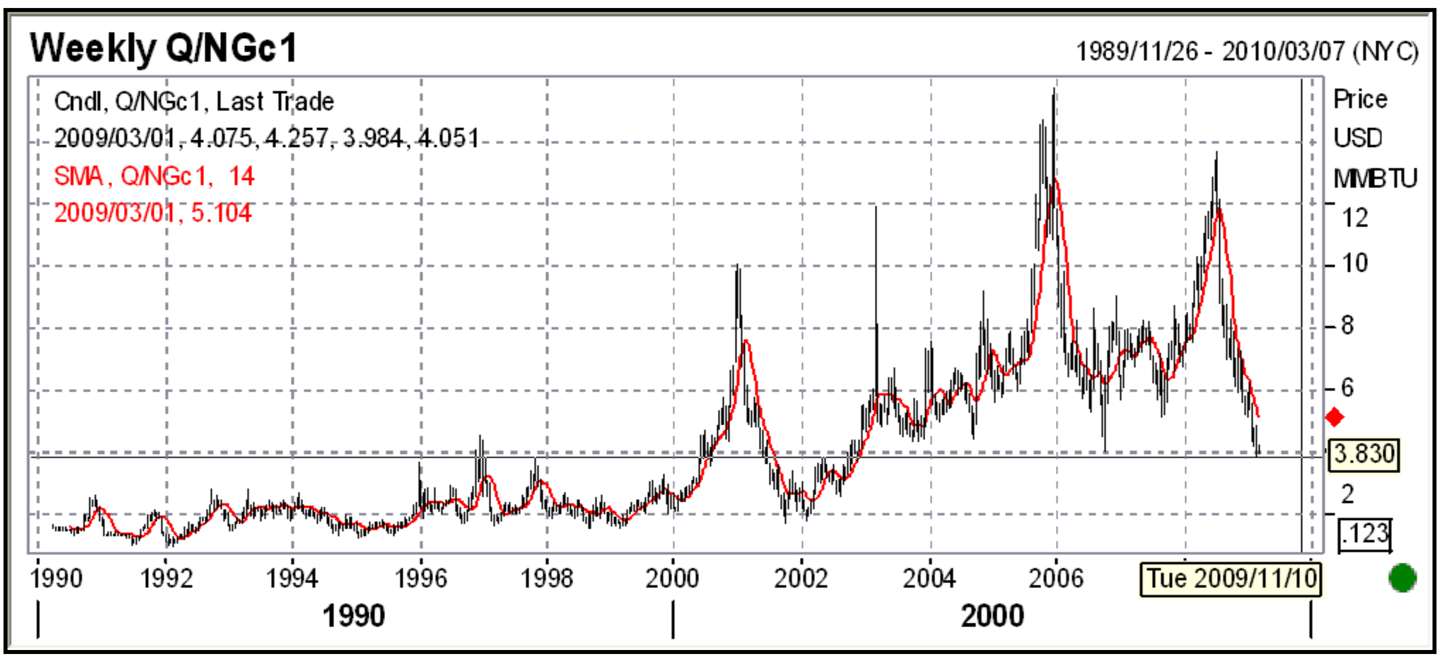
Norex Energy is positioning itself to play a contributory role in helping to meet this demand in a time when US Natural Gas production is seen sliding in the years ahead.

U.S. production of natural gas, the most widely used furnace fuel in the world's largest economy, may tumble through 2012 as **low prices prompt producers to shut down drilling rigs from Louisiana to the Rocky Mountains**.

The **chart on the following page** shows the relationship between reductions in drilling by U.S. energy companies and output from gas wells. The graph on the right shows the number of rigs drilling for gas in the U.S., as tracked by Baker Hughes Inc. In 2001-02, the so-called rig count declined for nine months in a row. Gas production, shown in the chart on the left, declined for the next four years and didn't return to the 2001 level until 2007.

Energy companies probably will slash onshore U.S. gas drilling to 800 or 900 rigs this year from a peak of 1,606 in 2008 after prices for the fuel plunged 70 percent from their 2008 high, according to Keith Hutton, chief executive officer at Fort Worth, Texas-based producer XTO Energy Inc. As a result, **gas output probably will decline by 3-5 percent in 2009,** Hutton told investors on a company conference call on Feb 20, 2009. Idling rigs slows new discoveries and prevents companies from offsetting output declines that average 30 percent a year from established wells, Hutton said.

"If your underlying decline rate is 30 percent and you drop your rig count in half, it's hard as hell to catch back up," said Hutton. "If you start picking rig count up 10 or 15 percent a year and it takes you 3 or 4 years to get back to the old rig count, you're going to decline almost the entire time. We're set for falling gas production for quite awhile here."



Norex Energy competes with numerous other oil and gas exploration companies. Many of these competitors have substantially greater resources than Norex Energy does. Should a larger and better-financed company decide to directly compete with NXPN, and be successful in its competitive efforts, Norex Energy's business could be adversely affected. London-based BP Plc is the largest producer of U.S. gas, followed by Oklahoma City-based Chesapeake Energy Corp. and ConocoPhillips of Houston, according to the Natural Gas Supply Association in Washington.

Based on the robust demand for oil and natural gas in the United States, Norex Energy is able to exploit its competitive advantages due to its **experienced management team**, **underdeveloped and unexploited oil assets** in the Continental US that could harbour many millions of barrels of oil equivalents, **access to modern cutting edge well technology, knowledgeable and capable engineers** and **extensive 3D seismic reprocessing information.**

We regard the relative impact of domestic E&P competition in the on-shore U.S. oil and gas industry to be minor and unlikely to have strong adverse effects on the company's operations at this point in its production and company life cycle, given its scale. The presence of larger players may actually be a benefit to the Company as it allows the Norex to better exploit/utilize the piping, transportation and drilling equipment and infrastructure.

Norex (Northern) has targeted the natural gas sector in response to recent developments in the global economy. As the price of oil remains volatile, **natural gas prices have stayed relatively stable** and **future opportunities and outlook appears to have considerable upside potential.** The chart on the previous page shows the NYMEX natural gas contract price fluctuations (weekly chart since 1989), which is sitting very close to a **strong support level near $3.80/MMBtu from which a strong upside reversal is possible from both a technical and fundamental perspective, especially when looking out 12-24 months.** In addition the chart shows there has **not been any lengthy periods** where natural gas **traded and remained below the $4 level since 2000.**

We believe that **natural gas could well prove to be the energy source of choice for the new U.S. administration's energy policies** as identified and supported by renowned energy developer T. Boone Pickens who states in his well-publicized "Pickens Plan" that natural gas is a cheap new replacement for foreign oil.

Natural gas is our country's second largest energy resource and a vital component of our energy supply. 98% of the natural gas used in the United States is from North America. But 70% of US oil is purchased from foreign nations. Natural gas is one of the **cleanest, safest and most useful forms of energy -- residentially, commercially and industrially.** The natural gas industry has existed in the United States for over 100 years and continues to grow. **Domestic natural gas reserves are twice that of petroleum.** And new discoveries of natural gas and ongoing development of renewable biogas are continually adding to existing reserves. While it is a cheap effective and versatile fuel, less than 1% of natural gas is currently used for transportation.

FINANCIALS

The Company filed a Form 10-Q dated February 10, 2008 with financial information for the 9 months ended December 31, 2008 with the SEC. Norex Energy has its fiscal year-end on March 31. The financial statements for the 3 months to December 31, 2008 and for the 9-month period to 31 December have not been audited. Readers are also advised that the Company's Annual Report with audited financial statements can be found on Form 10-KSB/A for the year ended March 31, 2008, which was filed with the SEC on December 8, 2008.

Company is a natural resource exploration and production company currently engaged in the exploration, acquisition and development of properties in the United States and within North America. The Company is currently reviewing potential acquisitions in the natural resource sector and is in the process of completing a due diligence investigation of various opportunities in the oil and gas sector, as well as the base and precious metals sectors.

These financial statements have been prepared on a going concern basis. The Company has incurred losses since inception resulting in an **accumulated deficit of $71,515 since inception** and further losses are anticipated in the development of its business raising substantial doubt about the Company's ability to continue as a going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management has plans to seek **additional capital through a private placement and public offering of its common stock.**

Norex has not yet realized any revenues from its planned operations. Mineral property acquisition and exploration costs are charged to operations as incurred. When it has been determined that a property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

The Results for the 9-month period ended December 31, 2008 compared to the 9-month period ended December 31, 2007 were as follows:

The net loss for the 9-month period ended December 31, 2008 was $31,685 compared to a net loss of $9,326 during the 9-month period ended December 31, 2007 (an increase of $22,359). During both of these periods in 2007 and 2008, Norex did not generate any revenue.

During the 9-month period ended December 31, 2008, Norex incurred operating costs consisting of administrative expenses in the amount of $31,685 compared to $9,326 incurred during the 9 month period ended December 31, 2007 (an increase of $22,359).

Administrative expenses incurred during the 9-month period ended December 31, 2008 compared to the 9-month period ended December 31, 2007 increased primarily due to the increase in professional fees associated the increased scale and scope of Norex Energy's business operations and with its reporting requirements as a public company under the Securities Exchange Act of 1934, as amended. G & A expense generally include corporate overhead, financial and administrative contracted services, marketing, and consulting costs.

Norex's net loss was $31,685 during the 9-month period ended December 31, 2008 as compared to a net loss of $9,326 during the 9-month period ended December 31, 2007. The weighted average number of shares outstanding was 33,240,000 for the nine-month periods ended December 31, 2008 and 2007.

Noteworthy financial and per share statistics are listed in the table found on the front page of this report.

Liquidity and Capital Resources

As at 31 December 31, 2008, the Company's current assets were $4,581 and current liabilities were $44,096, which resulted in a working capital deficit of $39,515. Current assets were comprised of $122 in cash; and $4459 in prepaid expenses. As at the December 31, 2008, current liabilities were comprised of $7,096 in accounts payable and $37,000 in loan from related party.

As at fiscal year ended March 31, 2008, total current assets were $270 comprised of cash. The increase in total assets during the 9-month period ended September 30, 2008 from fiscal year ended March 31, 2008 was primarily due to an increase in prepaid expenses. As at fiscal year ended March 31, 2008, total liabilities were $8,100 comprised of $1,600 in accounts payable; and $6,500 in loan due to related party. The increase in liabilities during the 9-month period ended December 31, 2008 from fiscal year ended March 31, 2008 was primarily due to the increase in loan from related party and in accounts payable. Stockholders' equity (deficit) increased from ($7,830) for fiscal year ended March 31, 2008 to ($39,515) for the 9 month period ended December 31, 2008.

Since inception through the period ended December 31, 2008 a director and a principal shareholder of the company, advanced the company funds in the amount of $37,000. The balance is unsecured and interest free with no specified terms of repayment.

Management plans to raise additional funds through debt or equity offerings. Management has yet to decide what type of offering the Company will use or how much capital the Company will attempt to raise. There is no guarantee that the Company will be able to raise any capital through any type of offerings.

On December 7, 2004, the Company sold 18,000,000 shares of its common stock at $0.000167 per share. On December 22, 2004, the Company sold 15,000,000 shares of its common stock at $0.001667 per share. On January 17, 2005, the Company sold 240,000 shares of its common stock at $0.016667 per share.

On July 14, 2008, Norex authorized and approved a **forward stock split of 6-for-1** of the total issued and outstanding shares of common stock. The forward stock split increased issued and outstanding shares of common stock from 5,540,000 to 33,240,000 shares of common stock. All share amounts have been retroactively adjusted for all periods presented.

The stockholders' equity section consists only of common shares as classes of capital stock as of December 31, 2008 with par value of $ 0.001 each and there are 75,000,000 shares authorized with 33,240,000 of these shares issued and outstanding. At December 31, 2008, there were no outstanding stock options or warrants.

If successful, NXPN can potentially achieve a *gross production rate of 3 to 4 mmcfpd from the Californian 2009 2-wells project.* Already Norex Energy has secured the necessary pipeline rights of way to achieve this program. Successes may also encourage the initiation of additional discretionary projects.

The Company is moving ahead to obtain adequate financing so it can **develop the Sacramento Valley properties and Alberta Canada project into a nucleus** for future growth. Norex Energy cannot assure that the Company will be able to obtain such financing. Without it, NXPN will have to cease operations. NXPN cannot assure that the Company will be able to obtain further funds it desires for continuing operations or, if available, that funds can be obtained on commercially reasonable terms.

If Norex Energy is not able to obtain additional financing on a timely basis, the Company would be forced to cease its operations.

RISK FACTORS /CONCERNS

The business model, and longer-term consistency of revenue and income potential, remain uncertain and is not fully proven. Norex Energy is **substantially dependent on the expertise of its management team and directors**, the loss of which could materially adversely affect future anticipated results. The Company may not be able to generate sufficient funds from operations to continue its intended business model, it could harm results and force the Company to curtail or cease plans for expanding operations.

Norex Energy has incurred losses since inception. As of December 31, 2008 it had an accumulated deficit of $71,515, and a net loss for the nine months of $31,685. At December 31, 2008, NXPN had limited financial resources. Its continuation is dependent upon its ability to raise additional capital, to exploit its mineral holdings, and to generate sufficient revenue from its planned operations to enable the Company to attain and maintain profitable operations.

If the Company is unsuccessful in raising the necessary financing from capital markets needed to pursue its strategy of acquiring and developing its California and Alberta properties through drilling with its 3D seismic reprocessing data and well technology provided under its partnerships, Norex may be forced to curtail operations and abandon or postpone some of its planned strategies, all of which will have a negative impact on the financial position of the Company.

The **oil production and exploration industry is inherently subject to changing conditions** that can affect levels of production and production costs for varying lengths of time and can result in decreases in profitability. There is a direct risk due to exposure to commodity prices related to input prices such as that of *bentonite (volcanic ash used in drilling),* rig and drilling equipment rates and exploration, availability of rigs, maintenance and recovery costs associated with secondary and tertiary oil recovery; **most of which are not within control of the company.** In addition, adverse weather conditions, equipment replacement or repair costs, floods, variations in thickness of the drilling layer other geological conditions can be expected in the future to have, a significant impact on operating results. Prolonged disruption of production at any well would result in a decrease in revenues and profitability, which could be material.

The marketability of its gas production will depend in part upon the availability, proximity and capacity of pipelines, surface and processing facilities. Federal and state regulation of oil/gas production and transportation, general economic conditions, changes in supply and changes in demand all could adversely affect the Company's ability to produce and market natural gas. If market factors were to change dramatically, the financial impact could be substantial because NXPN would incur expenses without receiving revenues from the sale of production.

The availability of markets is beyond the control of Norex Energy. Also, the Company's ability to develop future revenues will depend on whether it can successfully implement its planned project development program. Norex Energy's planned projects may not result in significant reserves or in the production levels the Company anticipates. All revenues are **subject to the prevailing worldwide price for crude oil/natgas spot prices. Prices received for oil and gas production have been and remain volatile and unpredictable.**

If energy prices decline significantly, even if only for a short period of time, Norex Energy's revenues and cash flows would be materially adversely affected. The Company has not disclosed official proven and probable reserve information in its SEC filings. These figures usually represent estimates prepared by internal engineers and examined by independent petroleum consultants. Readers should note that the estimation of reserves is not an exact science even when they are published.

Estimates of economically recoverable oil and natural gas reserves and of future net cash flows necessarily depend upon a number of variable factors and assumptions, any of which may cause these estimates to vary considerably from actual results. Readers should also note that the extent of reported reserves under current SEC convention is minimal when considered in context of the current market capitalization of NXPN. There is a risk that anticipated reserves could be revised downwards or found not to exist, if deemed necessary by a particular petroleum engineering firm, at a future date depending on new drilling results obtained.

Other factors affecting the production of gas that could result in decreases in profitability of Norex Energy, include problems arising at production sites due to company delaying and deferring maintenance due to technological failures/reasons; changes in laws or regulations, including permitting requirements; litigation; work stoppages or other labor difficulties; any labor shortages; changes in the worldwide oil market and/or general economic conditions.

Financial performance relies substantially on Norex Energy 's ability to exploit natgas/oil reserves at competitive costs.

Replacement reserves may not be available when required or, if available, may not be capable of being drilled at costs comparable to those characteristics of the depleting oil field or recovery projects may not yield the same results as the well that once produced oil or gas. The Company may in the future acquire reserves from third parties and may not be able to accurately assess the geological characteristics of any reserves being acquired, which may adversely affect its profitability and financial condition.

Norex Energy is reliant on infrastructure of other industry participants in order to facilitate its activities. In most instances, Norex Energy depends on the work and expertise of other consultants to develop, provide financing, and operate its properties and projects. The prospects of Norex Energy will be highly dependent upon the ability of such other parties that are more often than not local companies and contractors. As indicated by the nature of the partners, with which Norex Energy is participating in current projects, management believes the risk in relying on such partners and co-participants is reasonable.

The U.S. oil and gas and power generation industries are subject to substantial regulation (FERC and NEPA) with respect to the discharge of materials into the environment, pollution, siting of operations or other factors relating to the protection of the environment. The exploration, development and production of oil and gas are regulated by various governmental agencies with respect to the storage and transportation of the hydrocarbons, the use of facilities for processing, recovering and treating the hydrocarbons and the clean up of drilling sites.

Many of these activities require governmental approvals before they can be undertaken. The costs associated with compliance with the applicable laws and regulations have increased the costs associated with the planning, designing, drilling, installing, operating and plugging or abandoning of wells. To the extent that NXPN owns an interest in a well it may be responsible for costs of environmental regulation compliance even after the plugging or abandonment of that well.

Furthermore, competitive conditions may be substantially affected by various forms of energy legislation and/or regulation considered from time to time by the government of the United States; however, it is not possible to predict the nature of any such legislation or regulation that may ultimately be adopted or its effects upon the Company’s future operations. Such laws and regulations may, however, substantially increase the costs of exploring for, developing or producing natural gas and oil and may prevent or delay the commencement or continuation of a given operation. The effect of these risks cannot be accurately predicted.

Norex Energy ’s operations will be subject to those risks generally associated with the oil and gas and power generation industries. Such risks include exploration, development and production risks, title risks, and weather risks, shortages or delay in **delivery of equipment and the stability of operators** and contractor companies. Trading in the shares will continue to be subject to major fluctuations for the foreseeable future.

The stock is thinly traded at prices below $1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity. The reverse is true if one or more large investors decide to acquire a block of NXPN shares that would result in demand outstripping supply and result in an upward squeeze in the price given the low liquidity and daily trading volume.

We caution that historical volume activity on NXPN has been modest, **and we are unable to predict the direction of trading volumes over the coming months with any certainty.** Major dilution of common stock can occur if company issues large blocks of common stock or convertible debt is converted or warrants are exercised into common stock that can negatively impact on the value of its shares. NASD and SEC Regulations covering rules on Penny Stocks apply for NXPN, subjecting NASD broker-dealers to additional sales practice and disclosure requirements.

Further elaboration on these above-mentioned and other risk factors are contained in the company’s **SEC filings in Form(s) 10-KSB or 10-QSB and readers are encouraged to consult these documents.**

MANAGEMENT TEAM & BOARD OF DIRECTORS

The management team of Norex Energy has been selected based on experience, successful endeavors, and technical ability. The composition of this team brings the ability to make things happen in the oil and gas industry, and enhance the value of the company assets. Enhancement of company assets is the key to today's small oil and gas profitability. Rising prices are no longer the sole factor to profitability planning.

It is enhancement of the base asset value. Included in the management team is technical expertise, which includes management of oil and gas properties, reservoir engineering, production engineering, and experience managing field personnel.

The presence of these executives will be a critical factor in the Company’s success in balancing the complex risks that play a role in many of the existing and proposed projects of Norex Energy, as well as and financial backing and forging new alliances.

Mark Schaftlein – President, Chief Executive Officer

Mr. Schaftlein has been in the consulting and financial services business for the past 20 years. Since July 2000, Mr. Schaftlein has been the Chief Executive Officer of Capital Consulting Inc., a financial consulting and advisory firm and a Consultant with Ocean Avenue Advisors, LLC and IW Miller Group Inc.

He served as President and Chief Executive Officer of Westmark Group Holdings Inc., from May 1997 until 2000. Through Ocean Avenue Advisors LLC, Mr. Schaftlein further provided consulting services to Ortec International. He served as Chief Financial Officer of Far East Energy Corp., since November 10, 2003. Prior to starting Capital Consulting Inc., and joining Ocean Avenue Advisors, LLC Mr. Schaftlein spent 18 years in financial services and mortgage banking with Citigroup as well as serving in various executive management positions with various publically traded companies. Mr. Schaftlein is a graduate of Western Kentucky University with a Degree in Business Administration in 1980.

David Naylor – Chief Financial Officer

David Naylor is a financial management professional with extensive accounting expertise and a highly analytical ability to improve management practices. His career includes eleven years leading a large media publishing company through a period of change. Subsequently, he has held the position of CFO and/or Secretary Treasurer for varied natural resource juniors as well as technology sector companies. Mr. Naylor is a Certified Management Accountant (CMA) with over twenty years of experience.

INVESTMENT THESIS AND RECOMMENDATION

Our analysis suggests that Norex Energy Inc. is an interesting speculative play among micro-cap companies offering exposure to the investor on a promising, junior natgas exploration and production company with promising properties in California and Alberta, Canada. Norex Energy, based in Scottsdale, Arizona, is devoted to the careful identification and acquisition of high quality opportunities in the natural gas sector. The company plans to provide shareholder value through the assembly of asset and property combinations which will include exploratory promise, ongoing production, in-place infrastructure, growth potential and the ability to offer both short term returns as well as significant value over the long term.

The two-fold benefit and opportunity of natural gas is straightforward and easy to understand. Domestic U.S. production of natural gas will assist in breaking the cycle of dependence on foreign oil and help provide clean energy that will reduce the carbon emissions of power plants across the country. Norex believes that its aggressive focus on natural gas exploration and development will ensure the Company has a role to play in the overall strategy of the domestic industry's growth as part of the new administration's energy policy for the nation.

In addition to its natural gas strategy, Norex Energy is currently reviewing a portfolio of wind energy projects located in the well documented Texas and Wyoming wind corridor. The proposed projects bring together a variety of advanced and early stage opportunities thereby allowing Norex the ability to develop projects encompassing a mix of project development stages from permitting and licensing through to near completion. As part of its overall strategy the Company aims to acquire assets that are near term in regards to a potential revenue stream.

Norex is working with an industry group that brings a reliable history in the wind energy sector as regards the management of operations and logistics as well as access to state and federal government contacts and procedures. Norex's strategic plan is focused on the rapid development of an effectively managed and convergent "green energy" company offering an aligned portfolio of both natural gas and wind power assets. This provides an exciting dual investment play opportunity for investors interested in investing in "green" and environmentally conscious companies.

See Appendix A-1 for Analyst Certification and Important Disclosures.

Norex is dedicated to the acquisition, exploration and development of outstanding natural gas opportunities across the United States and Canada.

In Feb 2009, the Company paid $376,692 for the acquisition of a 50% working interest in two California gas projects in the Central Valley of California. Norex is now working with the operators towards finalizing the planning of the first 2 gas wells for the 2009 development program. Plans are set to drill the first well in June and the second in July. Another 2 wells are earmarked for development in 2010.

Norex aims to benefit from what would be a very short pay out period for seismic, drilling and pipeline tie-in costs at the two wells targeted in its 2009 California Project. If proven to be commercially viable, this may represent a venture with an in-situ value of greater than $50 million in contained gas as a majority working interest partner. The company plans to provide shareholder value through the assembly of asset and property combinations which will include exploratory promise, ongoing production, in-place infrastructure, growth potential and the ability to offer both short term returns as well as significant value over the long term.

Norex Energy's portfolio is believed to be high quality prospects. Its Californian interests holds potential to bring to commercially viable 2,000-3,000 Mcfd natural gas production that could create a positive cashflow position by end of Q3 2009.

The estimated costs of drilling and completing the 2 wells in its 2009 development project is approximately $2.1 million all in. Pipeline and tie-in infrastructure costs are estimated at $550,000, resulting in a total project cost of $2.65 million in the current financial year.

With PG&E Citygate pricing near $4.96 and given Norex' 78% NRI to the 100% WI, we expect thus 39% of all revenues to its 50% WI and an ROI of less than 1 year which is promising to investors. Norex wants to enhance its portfolio of energy projects focussing on natural gas production by also entering into the wind energy sector by means of strategic acquisitions in Texas & Wyoming wind corridor.

Norex Energy has been formed at a time when the larger E&P companies are by necessity becoming more cost and income efficient which has resulted in the subsequent divestiture of many production and exploration assets. The main focus for Norex Energy will be the participation in oil and gas fields with significant upside potential (which may no longer fit the portfolios of larger energy companies). Part of this strategy is to establish an early production base, with upside, enabling expansion through cash flow creating the long-term success of the company.

Its alliance and agreement with Dominus AG will be beneficial to identify the very best of natgas opportunities for Norex to pursue. Norex Energy employs a rigorous risk management and valuation processes. This technical and commercial risking process is designed to characterize new opportunities leading to portfolio selection and optimisation in careful consultation with Dominus as an advisory partner.

Norex Energy believes that its proposed portfolio mix is appropriate to its financial resources. As global energy consumption continues to rise, and as natural gas prices are trading back at more attractive levels — with meaningful medium term upside potential — present conditions provide a backdrop for Norex Energy to pursue its identified opportunities while also allowing investors an opportunity to invest at a time when pricing is attractive. Shareholders can then derive economic benefit from its dual-phase strategy (natgas & wind) that has been well mapped and strategized to date. Norex Energy is constantly in the process of investigating the purchase of acreage plays along the lines of recent industry activity in unconventional natural gas exploitation.

Norex Energy's approach has enabled the Company to achieve a high success rate with drilling programs and we believe that management has demonstrated its intention to attain profitability by recent cost savings decisions. During its FY2010 fiscal year, the Company's proved reserves, is expected to expand. Subject to obtaining financing, management plans to spend approximately $5.3 million in capital expenditures in the next 24 months. These expenditures will be directed toward developing existing proved and probable reserves on the Californian fields, drilling and tie-in wells and connecting at least 4 wells to pipelines, and evaluating new project areas. This capital budget is will strive to convert probable and possible reserves into proved reserves.

Norex plans a capital expenditure program for the next year that should create value by drilling at least 4 wells to produce and process natural gas upon successful implementation.

If successful, NXPN can potentially achieve a gross production rate of 3 to 4 mmcf from the 2009 2 well drilling project. Already Norex Energy is already securing the necessary rights of way to achieve this program. Successes may also encourage the initiation of additional discretionary projects. Accordingly, the Company is moving ahead to obtain adequate financing so it can develop the Sacramento Valley 2-well project into a nucleus for future growth.

Regardless of the Company's conservative strategy, the operating and financial risks involved in investing in young oil E&P companies are typically high and should be considered by investors. In this case the operational risks associated with exploration and production include, risks associated with weather conditions, technical breakdowns, future reserve depletion, rising production, pipeline transportation, drilling and the various exploration costs and many others that can result in actual results differing from expectations that precede drilling or recovery and eventual commercial well production.

There can be no assurance that the production rates and past financial/production results achieved at NXPN oil and gas prospect sites, will be sustained with the same quality and flow rates in future that meet or exceed the company's present expectations.

Furthermore our recommendation assumes that the Company can bring several more wells to full production and in the coming 12-24 months that will allow NXPN to ramp its revenues by FY2011 to a level where it will exceed its cost base and lead to net after tax profit in FY2011. Most input and transportation costs are relatively fixed and cannot be influenced or determined by management.

Drilling costs have increased substantially faster than the general inflation rate during the last 3 years; continued increases may be expected and if greater than anticipated could have an adverse impact on payback periods and other measures of economic return.

Readers should understand that there can be no assurance that the company will be able to fast-track its intended goal towards building its portfolio and raising production levels at its various properties through its natgas drilling and workover approach, its 3D seismic and modern well technological and geological methods to exploit reserves present in the reservoirs, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value.

The future spot price of Crude oil and Natural gas (both traded on NYMEX) is one of the biggest unknowns and does and will play a material role in the financial performance of NXPN in the short, medium and long term.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to NXPN should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind additional production to follow from its current and future targeted projects and the impact of new 'booked' reserves from its Alberta Canada and California situated fields, to be unlocked and reflected in the stock price once a comprehensive reserve assessment has been performed from drilling results. Short term we expect NXPN stock to remain volatile on the back of movements in crude oil and natural gas pricing.

For the coming financial year the projected costs of drilling and completing the wells in its Californian fields is approximately $2.1 million all in. Pipeline and tie-in infrastructure costs are estimated at $550,000. So a total project cost of $2.65 million in FY2010. At PG&E Citygate pricing, which is some of the highest in the country-now at $4.96, and with a 78% NRI to the 100% WI we expect thus 39% of all revenues to Norex's 50% WI -- an ROI of less than 1 year.

Management plans to drill the first well in June and the second in July. By Q4 both should be online and flowing natural gas that will deliver revenue if successful. The Company intends to repeat the program in 2010 (FY2011) so by Q4 2010 the production is targeted to be between 8,000 and 16,000 mcf per day from 4 wells, if successful. The costs of the drilling in 2010 are budgeted to be the same : $2.1 million, but pipeline costs would be minimal as all infrastructure would be in place.

Once these plans are carried out, the expected value Norex Energy's reserves from these properties (present value discounted at 10% or PV10) may exceed $60 million by our independent calculations.

Under the assumption that the Company can grow organically and raise and utilize the funding its needs to establish new interests in potentially lucrative projects and/or raise its working interests in known participating ventures it can rapidly enhance value of its assets. The Company's business model is scalable and able to accommodate larger capital inputs with correspondingly larger returns in dollar terms.

One of the core reasons, which is pivotal to our bullish argument for upside in NXPN, follows from our interpretation of the quality of portfolio assembled thus far, our expectation for rapid production growth and our confidence in the experience and proven track record of its management team.

Norex Energy has not yet commenced generating oil and gas revenues, however is on track to implement its drilling strategy which can lead to bring new production online by Q4 2009. Our modelling suggests that the Company is positioned to turn cashflow positive in late FY2010, if present scheduled drilling results deliver the desired outcome, that enables Norex Energy to convert a large percentage of exploration, work over, recompletion work of NXPN into commercial wells also in the Alberta property. By FY2011 if successful, discretionary cash flow could then show substantial improvement; assuming that management continues its record of lining up successful drilling prospects and at the same time secure sufficient funding in needs to continue operations.

Our FY2010 our revenue forecast is for $3.25 million, based on production volumes of 4 MMCF (million cubic feet) natural gas per day at net realizable price of 5/MMBtu. Tri-State FY2011 revenue forecast is for $12 million based on 12 MMCF natural gas per day at 6.00/MMBtu.

Our typical practice in coverage of emerging oil and gas exploration companies involve an assessment of the company's published or expected reserves and computing an adjusted reserve valuation per share that is used to give us an indication of under or overvaluation of the shares. This is similar to an NAV approach. In the case of Norex Energy the extent of published reserves to date has been minimal and is of little practical use and is not reflective (in our view) of the potential value that can be assigned to this Company.

We have additionally given consideration to the Company's track record since its inception and to the capabilities of the very highly qualified management team. Also if NXPN can replicating the present drilling program in each future year would put the Company on a steady upward trend of reserves and cash flow, leading to higher NAV/Reserve based valuations, and the growth rate would accelerate as more capital is attracted to the Company. If we allow for dilution as a result of issuing stock for around $6 million in needed capital to finance its expansion for its drilling program and assume this stock is issued at around 40c per share it implies a future fully diluted share count of 48.2 million. Should Norex Energy be successful in developing its 50% interest in 58 BCF of natural gas, the expected value Norex Energy's reserves from these properties (present value discounted at 10% or PV10) may exceed $60 million. If we proceed to calculate an adjusted reserve value per share we arrive at $1.40 per share. Given that the current proved reserve figure is not officially known or published we feel it would perhaps be premature to rely on this methodology to set a target price at this stage.

Instead we base our valuation on what we believe to be the company's intermediate revenue and production power rather than published reserves. We have assumed that the Company can continue to add additional wells and that annual revenue from production can get close to or surpass $10 million in FY2011, which appears realistic and attainable in the medium term given its assets and drilling programs. This represents a striking increase of the expected FY2010 revenue estimate for Norex Energy which could be conceivably attained if the Company is successful in executing its plans as outlined in this report.

Proceeding to calculate a Present Value over a period of 20 years at a discount rate of 10% we arrive at a net present value for this production of $74 million. This yields a value per share of $2.23 per share based on 33.2 million shares outstanding after stripping out long-term debt and its cash balance and using $3 net realizable natural gas pricing. Furthermore if we take our FY2011 EPS estimate of $0.15 and apply a 17x price/earnings multiple that is close to par with the sector average biggest and most prominent competitors we arrive at a share price valuation using this multiple of $2.55.

Under the assumption that our stated FY2010 & FY2011 revenue and earnings estimates are achievable and that its operational activities is well-managed and successfully executed and expecting NXPN to lift production and revenues substantially in the coming 24 months, as more progress is made to boost output levels at present producing sites and for its drilling programs to bear fruit, while US and worldwide demand for crude oil and natural gas re-asserts itself --we are of the opinion that NXPN stock has meaningful upside potential on these multiple factors.

Given these calculations and our bottom up analysis and financial estimates, which are quantitative measures, and also factors that are qualitative in nature, we set a 12-month target price for the security of $2.50. Despite the fact that Norex Energy's stock has been lackluster in recent weeks, we believe there is still ample scope for the stock to rise from present levels. As the Company manages its growth, focus will be on controlling and managing lease operating expenses, general and administrative costs, and finding and development costs.

In addition, expansion efforts will be geared toward pursuing opportunities that fit well within existing operations, or in areas where the Company is establishing new operations, or where Management believes that a base of existing production will produce an adequate foundation for economies of scale necessary to grow its E&P business within the California and Alberta, Canada geography. All factors weighed, we anticipate a stake in NXPN still has compelling upside potential in the coming 12-24 months if all or most of our stated assumptions hold.

Norex Energy is creating rapid growth and momentum. Moving quickly on a variety of fronts, the company has acquired working interests in highly prospective projects in California and Alberta, Canada and is evaluating additional opportunities the wind corridor. Drilling readiness and spud programs are on track for projects with sizeable potential reserves. Armed with unparalleled management expertise, key co-participant agreements, solid reputation in the industry, in a market favourable to increased gas production to satisfy growing demand, the ability to move quickly, and an intelligent strategy for expanding its net acreage portfolio at a fast rate, Norex Energy is poised to become a distinguished positive junior exploration and production company in record time.

Norex Energy appears poised for further growth and is indicating extraordinary shareholder value under our assumptions based on expected future revenue streams; its costs outlook and based on the fact that the Company has leverage to increase its working interest participation in already productive wells. We believe that the Company is positioned with assets and ability to execute and connect these wells to collectors fast to produce sellable gas that will be to the benefit of its shareholders. Our target price of $1.50 implies a market cap of $50 million over a 12-month time horizon assuming 33.2 million shares outstanding. Under the cited assumptions we initiate coverage on NXPN with a SPECULATIVE BUY rating.

Risk to our recommendation include amongst other: failure of intended drilling and workover/recompletion projects to come on-stream as projected, unforeseen production difficulties in the near or medium term from flooding or other factors, inability to obtain permitting and logistic or regulatory problems to conduct its strategy and implement its plans by the scheduled date at a given prospect, slowdown in production or failure to operate wells at estimated flow rates an unexpected decline in energy prices that will lead to a contraction in forward PE multiple and revenue assumptions and diminish the reserve valuation, a steep rise in drilling and production costs or unanticipated problems obtaining production equipment or drill rigs etc., new fees and/or any adverse regulatory changes in the markets it conducts operations.

New competition in its regional market by other larger oil producers, tax expense accounting changes, any inability to obtain necessary financing from capital markets when needed, inability to close its earmarked acquisitions to continue its business projects and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.

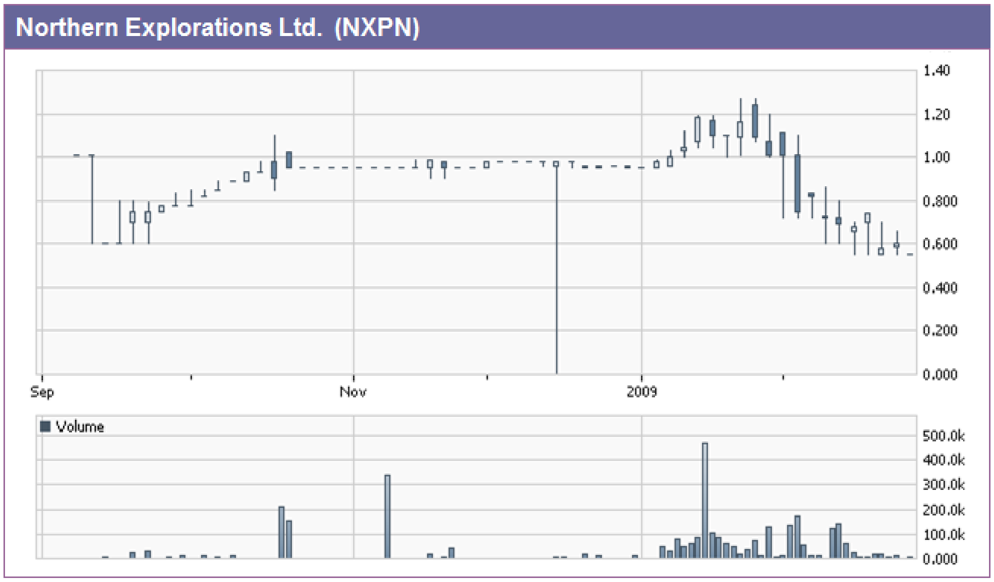
We would caution that given the size of the company (micro-cap) and risks involved, overall we advise positions be limited below 5% of the client's total portfolio size.

Our rating system, for stocks we rate, is divided into four main classifications: **Buy**, Positive, **Neutral**, and **Sell/Avoid**. Our Buy rating is divided into sub classifications by our analysts to reflect the degree to which the analyst believes the shares are undervalued in relation to the market and its peers, and the degree of financial risk represented by an investment in the shares. These Buy sub classifications include: **SPECULATIVE BUY** and **SPECULATIVE STRONG BUY**. The analyst will comment in the company reports on any of the perceived risk factors underlying the assigned rating.

Classification	Sub Classification	Description
BUY RATINGS	**Speculative Strong Buy** **Speculative Buy**	*The current price of the company reflects a substantial discount from the market and from the valuation accorded its peers. The analyst believes the stock at current levels represents a compelling opportunity for capital gains over the time period to its target price. Speculative means the company does have significant financial or other risks, while the **Strong Buy** category means **at least 100% gain indicated over 12 months** between current and analyst target price. **Speculative Buy means at least a 50% appreciation** indicated over 12 months between current and analysts' target price.*
POSITIVE	**Speculative Positive**	*The current price reflects a discount from the market, and from its peers. The analyst believes the stock at current levels will provide an opportunity for capital gains over the period of its target price. Speculative means the company does have significant financial or other risks. **Speculative Positive means 0% up to 50% appreciation indicated over 12 months** between current and analysts' target price.*
NEUTRAL	**Neutral Rating**	*The analyst is **unable to assign a speculative buy/positive rating** due to a number of specified factors noted in the report. These include the stock being fairly valued relative to its peers and the market, or the company may have risks that make it potentially unsuitable for investment. Finally, there may be actions or financings the company must accomplish before being considered for raising the investment rating or **alternatively the stock has little or no recent financial disclosure or delinquent in SEC filings.***
SELL/AVOID	**Avoid**	*The analyst believes that the risks of investment in the company are too severe, and an investment in the company has a substantial probability for loss of all invested capital.*
	Sell	*We believe that the Company may be fairly valued or overvalued based on its current price, and that an investment in the company should produce below market returns.*

The table below contains a summary of ratings awarded by **Tri-State Capital** to covered companies in its universe during the past 18 months:

RATINGS Universe Distribution		SPECULATIVE NEUTRAL	SPECULATIVE POSITIVE	SPECULATIVE BUY	SPECULATIVE STRONG BUY
Percentage:	100%	13%	36%	29%	22%
TOTAL COMPANIES	72	9	26	21	16



See Appendix A-1 for Analyst Certification and Important Disclosures.

NOREX ENERGY, INC. (OTC BB:NXPN) Additional Information

ANALYST CERTIFICATIONS APPENDIX A-1

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report. Tri-State Capital received $10,000 in compensation for work on the subject company from a third party.

The firm of the analyst does not actively seek to do investment banking business with the company covered in this research report. This independent analysis and judgment relies on material supplied by the subject company and other sources, such as SEC filings believed to be reliable. The analyst that prepared this report cannot guarantee the information contained herein for accuracy or completeness. Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the companys rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future.