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MORNING COMMENT

29 MARCH 2007

WINSTAR RESOURCES LTD.

WIX-TSX V: $4.10 — **BUY**

BILL NEWMAN 403.750.1297
BILL.NEWMAN@RESEARCHCAPITAL.COM

Drilling Results Delayed But Potential Remains

Per Share Data (C$)

Price	$4.10	Shares O/S (mm):	28.7
Target Price (1 yr.):	$7.00	FD Shares (mm):	30.8
Projected Return:	71%	Mkt. Cap ($ mm):	$117.6
52-Wk High:	$5.28	Positve W.C($ mm)*	$7.4
52-Wk Low:	$3.75	Ent.Value ($ mm):	$110.2

*(Postive working captial as of December 31, 2006)

FY December 31	**2006A**	**2007E**	**2008E**
Reference Pricing			
Oil (US$/bbl WTI)	$66.07	$60.00	$60.00
Gas (US$/mmbtu Henry Hub)	$6.99	$7.50	$7.50
Production			
Liquids (bbl/d)	627	1,525	2,225
Gas (mmcf/d)	5.6	7.3	7.7
Boe/d (6:1)	1,555	2,735	3,500
Equivalent Growth	91%	76%	28%
Financial			
Cash Flow ($ mm)	$15.8	$34.1	$40.2
CFPS (FD)	$0.55	$1.16	$1.36
Valuation			
P/CF	7.4x	3.5x	3.0x
EV/DACF	6.9x	3.5x	3.0x
D/CF	-0.5x	-0.2x	-0.2x

Courtesy of BigCharts.com

Upcoming Events

April/May:	Drilling results of the high-impact Strachan well.
April/May:	CS No. 1 well recompletion results.
April/May:	Drilling results of the high-impact Sabria well.

Profile

Winstar Resources Ltd. (www.winstar.ca) is a Canadian oil and gas exploration and production company focused on developing oil and gas concessions located in Canada, Tunisia, and Hungary.

EVENTS

- Winstar reported year-end 2006 financial and operational results. We maintain our **BUY** recommendation and $7.00 target price.

HIGHLIGHTS

- Winstar reported 2006 cash flow of $15.8 million ($0.55/fd share), below our estimate of $17.4 million ($0.61/fd share). Average 2006 production of 1,612 boe/d was inline with our estimate of 1,621 boe/d. Production was negatively impacted by a very warm winter in Hungary.

- Estimated proven reserves increased by 12% to 3.9 mmboe and total proven and probable reserves increased by 3% to 9.8 mmboe. Finding and development cost were $24.00/boe proven and $21.20/boe on a proven and probable basis. Reserve additions are primarily attributed to the CS#5 well, which is currently on production, and the first horizontal leg of the Sabria#11 well where testing operations are ongoing.

- **Estimated NAV**: As a result of the new reserve report, our fully-diluted net asset value estimate increases from our previous estimate of $6.05/fd share to $7.04/fd share.

- **2007 Production Estimate:** As a result of delays in Winstar's high-impact drilling operations, we have lowered our 2007 production estimate from 3,400 boe/d to 2,735 boe/d. Management is forecasting average 2007 production of 2,600-2,900 boe/d.

- **2007 Cash-Flow Estimate:** We have lowered our 2007 cash-flow estimate from $43.9 million ($1.52/fd share) to $34.1 million ($1.16/fd share), primarily due to our lower production estimate. Management estimated 2007 cash flow of $35-$40 million.

- **Production Testing**: Drilling and testing operations of the Sabria#11 well (45% W.I.) in Tunisia are progressing; however, final results are not expected until late April or early May 2007. Testing of the Strachan well in Canada is also continuing, with results expected in the next three to four weeks. Testing of the CS#1 well is expected to commence in the near future, with results by mid April.

- **2007 High-Impact Drilling**: In 2007, Winstar plans to drill another bi-lateral high-impact well at Sabria (45% W.I.), drill or re-complete a total of three wells at the Chouech Es Saida and Ech Chouech concessions (100% W.I.), and drill two high-impact wells in Sturgeon Lake in Canada. Winstar may also drill an exploration well in Hungary, late in 2007.

INVESTMENT CONCLUSION

- The operational delays in both Canada and Tunisia are frustrating; however, the full potential of Winstar's plays remains intact. The testing/re-completion operations currently underway have the potential to add significant production by the middle of the second quarter 2007. Significant additional volumes are possible with success of the high-impact wells planned for the balance of the year. We maintain our **BUY** recommendation and target price of $7.00, which is equivalent to our fully-diluted net asset value estimate.

DETAILS

- On February 22, 2007, Winstar announced the preliminary production tests of the Strachan 8-10 well in Canada and the Sabria#11 well in Tunisia. Although the test rates may appear to be lower than anticipated, these results are very preliminary and the full potential of both wells will only be determined through longer-term production testing, which should occur over the next four to six weeks.

- **Tunisia – Sabria#11 Well:** Winstar holds a 45% working interest in the Sabria concession located in west-central Tunisia. The first of two planned bi-lateral wells spudded on October 24, 2006. The Sabria#11 is deep, with a true vertical depth of 3,750 metres. The first lateral was drilled out 700 metres horizontally and encountered the Hamra Sandstone, which is the current producing formation on the concession, and El Atchane Sandstone, which is the deeper exploration zone. The well tested up to 370 bbl/d, with about 1.0 mmcf/d of natural gas; however, it also produced 4,600 bbl/d of water. Management believes that the water is coming from the lower El Atchane formation. Winstar intends to install a packer to isolate the El Atchane formation, which is expected to result in improved oil production and reduce or eliminate the water production. Testing of the first lateral, and drilling and testing of the second lateral, are anticipated to take another four to six weeks.

- **Canada – Strachan (8-10 Well)**: Based upon new 3D seismic, Winstar re-entered and drilled a side track (8-10 well) from the 13-10 well, which appears to have hit the edge of a potentially large Leduc reef. The 8-10 well encountered approximately 30 metres of additional structure. Winstar completed two acid stimulations and the well began to flow at unstable rates of 1.0-4.6 mmcf/d. Winstar estimates that there are over 600 barrels of stimulation fluid left in the well to recover. The surface production facilities have been re-installed and testing has resumed. Winstar has a 70% working interest in the well.

- **CS#1 Well:** Re-completion operations are progressing and testing is imminent. Testing operations are expected to take three to four weeks. If successful, the well has the potential to add 400 bbl/d of light oil.

- **Tunisia – CS#5 Well:** On November 29, 2006, Winstar announced that the CS#5 well located on its 100% owned Chouech Essaida concession in southern Tunisia tested light oil (41º API) at a stabilized rate of 1,025 bbl/d and approximately 1.1 mmcf/d of associated natural gas. The flowing pressure of the well through an 18/64 choke was relatively high at 1,380 psi. Between December 2006 and January 7, 2007, the well averaged 1,005 bbl/d; however, the natural gas production, which is currently flared, gradually increased to approximately 1.3 mmcf/d. After January 7, oil production decreased to 880 bbl/d and the natural gas production increased rapidly to 1.5 mmcf/d. In order to re-stabilize the well and conserve the natural gas, Winstar reduced the choke size to 14/64 inch. The well has stabilized at approximately 470 bbl and 1.3-1.5 mmcf/d (approximately 700 boe/d). Winstar hopes to have the necessary facilities in place by the end of April 2007 in order to bring the gas to market.

Winstar Resources Ltd.

Share Data	(000's)
Basic Shares	28,677
Diluted Sh. (Treasury)	29,278
Fully Diluted	30,831
Market Cap.	117,575
Enterprise Value	**110,204**

Current Price			
Date:	March 28, 2007		
Close		**$**	**4.10**
52 Week High		$	5.28
52 Week Low		$	3.75
October Volume			14,354

Net Debt	($000's)
December 31, 2006	
Net Debt	(7,371)
Debt/2006 CF	na
Debt/2007CF	na

Est. Year End Net Debt		
2006A	**2007E**	**2008E**
$ (7,371)	$ -	$ -
Capex/Cash Flow		
2006A	**2007E**	**2008E**
169%	117%	100%

Production		2006A	2007E	2008E
Oil & Liquids (bbl/d)		627	1,525	2,225
Natural Gas (mmcf/d)		5.6	7.3	7.7
Boe/d	6:1	1,555	2,735	3,500
Percentage Natural Gas		60%	44%	36%

Cash Flow ($000's)	2006A	2007E	2008E
Cash Flow	$ 15,812	$ 34,148	$ 40,168
Cash Flow/Share	$ 0.55	$ 1.20	$ 1.40
Cash Flow/FD Share	$ 0.55	$ 1.16	$ 1.36
CF Per Share Growth	41%	109%	18%

Net Asset Value Estimate	
($ thousands, except $/Share)	
Reserves (P + P)*	190,060
Undeveloped Land	12,752
Net Debt	(7,371)
Other Assets	-
Other Liabilities	-
Net Asset Value	210,183
NAV/Share	**$ 7.33**
Price/NAVPS	56%
Dilution Increment	5,537
NAV/FD Share	**$ 7.04**
Price/NAVPS	58%

*Reserves as of December 31, 2006, escalated prices and cost discounted @ 10% before tax.

Reserve Estimate		Dec-05
Reserves Estimated By:		
McDaniel/APA		
		(mboe)
Proven	39%	3,852
Proven + Prob.		9,814

Reserve Life Index	Production	
	Exit 06	2007
Proven	4.2	3.9
P + Prob.	10.7	9.8

Undeveloped Land		(000's)
Gross Acres		73
Net Acres*		44
Value	$293/acre	$ 12,752

*Undeveloped land in Canada only evaluated by Seaton Jordon

Valuation Metrics	2006A	2007E	2008E
FD Cash Flow Multiple	7.4x	3.5x	3.0x
EV/DACF Multiple	6.9x	3.5x	3.0x
EV/Production	$ 70,894	$ 40,299	$ 31,487
Production/Million Shares	54.4	95.7	122.0
Production Growth	91%	76%	28%

$/Barrel of Oil Equivalent		2006A	2007E	2008E
Operating Costs	($/Boe/d)	$ 12.83	$ 13.94	$ 13.55
G&A	($/Boe/d)	$ 8.41	$ 6.01	$ 5.70
Cash Flow	**($/Boe/d)**	**$ 27.87**	**$ 34.21**	**$ 31.36**
DD&A	($/Boe/d)	$ 19.51	$ 18.88	$ 19.77

Assumptions		2006A	2007E	2008E
Oil & Liquids	(C$/bbl)	$ 67.99	$ 66.00	$ 66.00
Natural Gas	(C$/mcf)	$ 7.30	$ 7.50	$ 7.50
Exchange Rate	(US$/C$)	$ 0.88	$ 0.85	$ 0.00

Production and Reserve Equivalence Conversion : 6:1

Figure 1. Fundamentals and Key Ratios
Source. Company reports, Research Capital

RELEVANT DISCLOSURES APPLICABLE TO: WINSTAR RESOURCES LTD.

LIST OF DISCLOSURE TERMS:

1. The research analyst or a member of the research analyst's household owns shares and/or options to acquire shares of the subject issuer.

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