



# SISM

## Research & Investment Services

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### Company Insight!

## Industry: Gas Exploration & Production Kodiak Energy, Inc. US\$ 2.40

### EMERGING RESOURCE PLAYER WITH EXPLORATION KICKER

Kodiak Energy Inc. (OTC BB: KDKN) is an early stage emerging resource player with an exploration kicker. Kodiak's extensive resources and its connections to the Alberta, Montana, Utah, and California oil patches offer the Company tremendous opportunities for growth. In a very short time, the Company has acquired leaseholds in Montana with at least 210 drilling targets and two leases in Alberta with the potential of more than 150 drilling locations. Kodiak now has more than 1,162 drilling opportunities that are expected to drive production and reserve growth for the next few years. Once fully developed, the Company could unlock more than 528 Bcfe in potential reserves and book \$1.2 billion in reserves (\$13/share). Just recently, Kodiak signed a LOI to acquire 22% of a heavy oil project in the Uinta Basin in Utah with drill-proven heavy oil sands reserves of 100 million barrels and a probable heavy oil sands reserve of 700 million barrels. Based on its strong business affiliates, excellent drilling prospects, strong commodity prices, and experienced management team with a proven track record of operating performance, we recommend Kodiak as a long term Speculative Buy/4.

## Kodiak Energy, Inc.

### Estimates Financial Projections and Shares (thousand)

US\$	FY06E Q1	FY06E Q2	FY06E Q3	FY06E Q4	FY06E Dec.	FY07E Dec.
Net Sales	0	0	256	899	1,155	6,397
Operating Income	0	0	183	642	825	4,569
Net Income (loss)	-319	-213	-89	370	-251	3,469
O/S fully diluted	30,000	88,629	91,629	96,629	96,629	96,629
EPS fully diluted	-\$0.01	\$0.00	\$0.00	\$0.00	-\$0.01	\$0.04

Source: Company reports, business plan, SEC filings

### Financial Data

FY 2006	Ends December 31, 2006
Market Capitalization	US\$ 212,7 million
Shares outstanding (05.04.2006)	88,629,436
Book Value/ Share (December 2005)	\$0.01
Price/Book Ratio	N/A
Est. 5 Year Earning Growth	N/A

### Stock Data

52-Week Range	\$2.50 - 0.16
Symbol / Exchange	OTC BB:KDKN
1-Year Return	1,145.0 %

### Reserve Data

Year-End 2005	N/A
Proven Reserves	N/A
PV-10	N/A
% Proved Developed	N/A
% Natural Gas	N/A

### One Year Stock Performance



### INVESTMENT HIGHLIGHTS:

- ☑ **During the last few months, Kodiak Energy Inc.** has established a base of high quality, low-risk drillable inventories in Montana and Alberta, with a potential of 572 low-cost drilling opportunities that can bring immediate production while minimizing finding and leasing costs. In November 2005, Kodiak received its approval as an Operator by the Energy and Utilities Board (EUB) of Alberta.
- ☑ **During the month of April 2006,** Kodiak Energy successfully drilled and cased two wells in Manyberries, Southern Alberta. Initial log review showed good gas potential in multiple zones. The wells will be completed, stimulated, and tested in Q3 to further evaluate the potential reservoir. This will be done in conjunction with an evaluation program on the property's existing well. After reviewing the results, the Company will evaluate a seismic program to maximize results from succeeding drill programs planned for Q4 2006. The expected initial production rate is 300 Mcf/d per well with recoverable reserves between 2-3 Bcf per well.
- ☑ **Kodiak Energy plans for long-term visible growth,** with drilling programs during 2006 focused across Hill County, Province, and Manyberries, the majority being allocated to activities in the Manyberries project. This program is expected to drive production and reserve growth for the next few years. In addition, Kodiak signed a Letter of Intent to acquire 22% of a heavy oil project in Utah with drill-proven heavy oil sands reserves of 100 million barrels gross and probable heavy oil sands reserves of 700 million barrels.
- ☑ **Our assumption that Kodiak could unlock up to 528 Bcfe of potential reserves** from a diversity of projects would offer a meaningful upside potential for shareholders. At current commodity prices, we estimate proven reserves to be valued conservatively at \$2.25 per Mcf, and once fully developed; Kodiak Energy could increase its net asset value to \$1.2 billion or \$13/share. At current high commodity prices, proven reserves are valued and acquired for \$15.50/barrel or \$2.58/Mcf.
- ☑ **We recommend Kodiak Energy with a Speculative Buy/4 rating and a 12-month price target of \$4.00 per share.** It is, however, difficult to predict accurate revenue and income figures as Kodiak is a very early stage oil & gas company, and on an operational basis, it is very new. Our positive investment rating is based on Kodiak's extensive resources and its connections to the Alberta, Montana, Utah, and California oil patches that offer investors tremendous opportunities for growth. In our view, a failure to raise sufficient Capex money reflects the biggest risk for failure in its ambitious drilling and development program. We estimate the Company to book 152 Bcf of proven reserves in 2006/7. *We believe an investment in Kodiak offers investors significant growth, however, due to the fact that the Company's business, on an operational basis, is relatively new, it is recommended that shares of Kodiak be purchased only by investors who can tolerate above average risk.*