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Research & Investment Services

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Company Insight!

Industry: Gas Exploration & Production Kodiak Energy, Inc. US\$ 1.70

WE REAFFIRM OUR 12-MONTH TARGET PRICE OF US\$ 4.00

Kodiak Energy Inc. (OTC BB: KDKN) is an active acquirer of oil and natural gas properties in Alberta, the Northwest Territories of Canada and in Montana in the United States. The Company has begun to develop its leaseholds, in Manyberries, Alberta. It has drilled, cased, and completed the first two wells and one re-completion and is now in the process of testing the wells to prove if they are commercially viable. So far, judging by what we have seen in Manyberries, we are cautiously optimistic that the Company can unlock its full, risk-adjusted potential of approx. 180 Bcf over the years to come. Using an acquisition price of \$2.00/Mcf of reserves, our asset valuation for the Company exceeds \$360 million. Last week, Kodiak demonstrated its strong capability to acquire world-class projects and successfully signed a major project in the Northwest Territories of Canada. This could become a company-making asset for Kodiak Energy. 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.

Condensed Balance Sheet Estimation as of June 30, 2006

Current Assets	\$2,059,001
Current Liabilities	\$259,935
Long Term Debt	\$53,632
Shareholders Equity	\$3,023,607
Total Assets	\$3,337,174

Source: Company reports, business plan, SEC filings

Financial Data

FY 2006	Ends December 31, 2006
Market Capitalization	US\$ 212.7 million
Shares outstanding (06.30.2006)	89,758,428
Book Value/ Share (June 30 2006)	\$0.03
Price/Book Ratio	N/A
Est. 5 Year Earning Growth	N/A

Stock Data

52-Week Range	\$2.75 - 0.20
Symbol / Exchange	OTC BB:KDKN
1-Year Return	267.5 %

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:

- ◆ **Last week, Kodiak demonstrated its strong capability to acquire world-class projects** when it successfully signed a major project in the Mackenzie River basin in the Northwest Territories of Canada. Based on certain conditions, Kodiak can earn up to a 56.25% working interest on the Exploration License (EL) 413, which covers 200,000 acres. Subsurface geological studies indicate excellent conditions for the accumulation of large oil and natural gas reserves. Based on the agreement, Kodiak must commence exploring the leaseholds by acquiring 2D seismic for approx. \$5 million prior to June 30, 2007. After completion of the initial seismic program, it is anticipated that Kodiak will drill two test wells the following winter to prove the assets.
- **Testing the wells to evaluate commercial success in Manyberries has begun.** Kodiak has drilled, cased, and completed the first two wells and one re-completion and is now in the process of testing the wells to prove if the wells are commercially viable. If reserves are sufficient, the Company will build a system of pipelines and tie in the wells to an existing sales system that should be completed during 2Q2007. The Company wants to drill five more wells by the year-end and ramp-up production in 2007 by drilling between seven and ten wells.
- **In its Province, South Alberta leasehold,** Kodiak and its operating partner successfully drilled the first well which is now in production with a current flow rate of approx. 375 Mcf/d with good pressure and no decline. In Hill County, Montana, the Company has identified three drilling locations and is currently in the process of obtaining the last license. We expect drilling to commence at any time.
- **We are maintaining our Speculative Buy/4 Rating for Kodiak Energy Inc.** with a 12-month price target of \$4.00 per share. Our positive investment rating is based on Kodiak's extensive resources and its connections to the North America oil and gas patches that offer investors tremendous opportunities for growth. In our view, a failure to raise sufficient Capex money reflects the biggest risk for the Company to fail in its ambitious drilling and development program during 2006/2007. After we learn more about Kodiak's expansion to the Northwest Territories, we will provide more information on estimated potential resources for the Company. So far, judging by what we have seen in Manyberries, we are cautiously optimistic that the Company can unlock its full risk-adjusted potential of approx. 180 Bcf over the years to come. Using an acquisition price of \$2.00/Mcf, our asset valuation for the Company exceeds \$360 million. Assuming these assets were on Kodiak's books, the Company's stock might be expected to trade at \$4.00 per share. **We believe an investment in KDKN offers investors significant growth, but it is recommended that shares of KDKN be purchased only by investors who can tolerate above average risk.**

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