



Research & Investment Services

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Company Insight!

Industry: Oil & Gas Exploration & Production

Kodiak Energy, Inc. US\$3.35

KODIAK COMPLETES ACQUISITION AND PRIVATE PLACEMENT

Last week, Kodiak successfully closed the acquisition of Thunder River Energy Inc. in a share and cash transaction, with the seller accepting \$1M in cash and 7M in Kodiak shares. Thunder's two major assets are the EL 413 in the Northwest Territories and P&NG leases in New Mexico. Kodiak now owns 56.25% of EL 413 and 95% of the Sofia and Spear Draw Prospects in NM. Kodiak intends to begin an aggressive development program to exploit these major assets. In its previous report, SISM anticipated the successful closing of this transaction, valued at more than \$20 million. In addition, Kodiak announced last Friday that Research Capital raised US\$12.4M for the Company. More than 4.6 million Kodiak shares were sold between \$2.50 and \$3.00 to institutional and retail investors in Canada and Europe. The Company now has enough CAPEX money for the next 12 months to pursue its ambitious business plan to prove up the assets in the NWT and New Mexico. Very soon, Kodiak will begin a seismic and gravity data survey in New Mexico, followed by a drilling program. If successful, revenue from NM could be on stream within the next 12 months, a major milestone for this junior O&G company. Since our last update two weeks ago, the stock price has gained more than 18% and we strongly reaffirm our 12-18 month price target of \$6.00 – 8.00.

Kodiak Energy, Inc.

Condensed Balance Sheet as of June 30, 2007

Current Assets	\$ 2,008,938
Current Liabilities	\$5,172,797
Long Term Debt	\$106,743
Shareholders Equity	\$4,264,332
Total Assets	\$9,599,352

Source: Company reports, business plan, SEC filings

Financial Data

FY 2007	Ends December 31, 2007
Market Capitalization	US\$ 352.7 million
Shares outstanding (October 1, 2007)	105,276,852
Book Value/ Share (June 30, 2007)	\$0.05
Price/Book Ratio	N/A
Est. 5 Year Earning Growth	N/A

Stock Data

52-Week Range	\$4.47 – 1.00
Symbol / Exchange	OTC BB:KDKN
1-Year Return	74.75 %

Reserve Data

Year-End 2006	N/A
Proven Reserves	N/A
PV-10	N/A
% Proved Developed	N/A
% Natural Gas	N/A

One Year Stock Performance



INVESTMENT HIGHLIGHTS:

- ◆ **Kodiak achieved two major accomplishments last week.** The first was the closing of the acquisition of Thunder River Energy Inc., giving Kodiak development control over two major assets in the Northwest Territories and New Mexico. The second involved Research Capital Toronto, who raised \$12.4M for the Company in two tranches of private placements from institutional and retail investors in Canada and Europe. The Company now has the funds to execute an aggressive exploration and development program to develop its assets. In the very near future, Kodiak will focus on its properties in New Mexico and later in the year in the NWT.
- ◆ **In New Mexico, Kodiak has gained control and now has a 95% Working Interest of 55,000 acres of P&NG leases.** The New Mexico properties demonstrate the presence of oil, natural gas and CO₂, and potential helium resources at shallow depth (2000-6000 feet). These properties are located near existing infrastructure and offer the possibility of dynamic short-term growth and significant near term cash flow. Natural gas potentials and commercial volumes of CO₂ have been identified in existing wells on or adjacent to the property and are estimated at 587 Bcf of CO₂.
- ◆ **Based on our meeting with key management last week in Calgary,** we learned that the Company is planning to conduct additional exploration, including seismic, gravity, and geochemical studies this quarter, with the results being interpreted in early 2008, before the location of the first exploration well is selected. The Company then plans to commence drilling and testing three wells during the winter of 2008, followed by six development wells in 2009. Operations are expected to take less than one month. The work commitments associated with this license have been fully fulfilled by seismic work and by drilling one well. The Exploration License 413 will expire on September 17, 2009.
- ◆ **Kodiak's world class assets attracted Research Capital,** with the Canadian full service brokerage firm acting as the exclusive placement agent and raising \$12.4 million for the Company. Research Capital, with offices in Toronto, Montreal, Calgary, and Vancouver has more than three hundred employees and offers equity financing through its institutional and private client operations, and strong investment banking capabilities. Research Capital is one of Canada's leading specialists in growth investing for natural resource companies.
- ◆ **Since our last update, released on September 14, 2007, the stock of Kodiak rose by 18%,** reflecting the fundamental improvement of the Company. We reaffirm our Speculative Buy/4 rating for Kodiak Energy and maintain our 12 – 18 month target price of \$6.00 - \$8.00. We acknowledge that the risk profile may be more than some investors are comfortable with and therefore we recommend the stock be purchased only by investors who can tolerate above average risk.