



23 OCTOBER 2008

ENERGY

Kairiki Energy (KIK), Nido Petroleum (NDO)

Discoveries de-risk Palawan prospects

High flow rate potential. The second well in the Palawan Basin shallow water program Tindalo-1, is another oil discovery, indicating an oil column of at least 134m. It follows the success of Yakal-1 that drilled through a column of 78-93m oil. Column heights for these pinnacle reefs are a good indication of flowrates which could be of the order of 10kbopd from these two combined.

Pre drill target 18mb OIP. The target volume potential of these two pinnacle structures according to NDO was 18mb oil in place (OIP) which would be a very significant volume for these junior companies. These volumes, and production commerciality, are yet to be established and the appropriate data collation and interpretation will be carried out over the next 4-8 weeks.

Shallow waters' unrisks value potential: 54c for KIK, 44c NDO. We have updated the prospects valuation table for KIK which shows a total unrisks value of \$0.54 per share for the 20+ prospects that lie in the shallow water (inboard) area of the SC54 permit of the NW Palawan Basin. It has been an excellent start to the program that gives added confidence that expectations (and \$0.54 per share) could be an eventual outcome of the program.

Updated KIK Prospect Valuation Table:

Prospect	Water depth M	Est OIP# Mb	KIK equity	NPV/b US\$/b	Unrisks NPV		COS* %	Risks NPV	
					A\$M	A\$/share**		A\$M	A\$/share**
Inboard prospects	<120	100	40%	18	309	0.54	35%	108	0.19
Outboard									
Gindara	338	547	40%	13	1219	2.07	20%	244	0.41
Lapu Lapu	412	540	40%	13	1203	2.04	15%	181	0.31
Princesa	800	398	40%	10	682	1.17	15%	102	0.18
Hito	600	178	40%	10	305	0.53	15%	46	0.08
Untitled 39	1275	318	40%	8	436	0.75	10%	44	0.08
Tilapya	800	117	40%	10	201	0.36	15%	30	0.05
Pagi	800	97	40%	10	166	0.30	15%	25	0.05
Pagi Turbidite	450	80	40%	10	137	0.25	15%	21	0.04
Untitled 40	750	52	40%	10	89	0.17	15%	13	0.03
Others (x6)	650	42	40%	10	72	0.14	15%	11	0.02
Totals							7.79		1.23

#OIP: oil in place. We assume 30% recovery
at \$US0.70/\$A

*COS: chance of success
** fully diluted

KIK:	Recommendation:	Spec Buy	Previous Close: \$0.08	Price Target: na
NDO:	Recommendation:	Not covered	Previous Close: \$0.15	Price Target: na

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Analyst Authorisation

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Disclosure of Interest

Southern Cross Equities Ltd and its associates hold 8.3m shares in Kairiki Energy (KIK) as at the date of this report. This position is subject to change without notice. In June 2008 SCE acted as joint manager and received a fee in the placement of 50m KIK shares at \$0.23 per share, to raise \$11.5m.