



22 September 2008

ENERGY

Kairiki Energy (KIK), Nido Petroleum (NDO)**Encouraging oil find**

First well is a discovery well. The first well in the two well program in the Palawan Basin, Philippines, Yakal-1 (60% NDO, 40% KIK) has come up with an oil discovery that may lead to commercial production. More will be known over the next few days as testing continues, which should reveal whether 1) the well could be developed as a production well in its own right, 2) could be tied in with other similar fields (existing or yet to be discovered) or 3) does contain sufficient oil to be a producer. Yakal is a typical pinnacle reef structure found in the shallow waters of the basin, which will be followed by a second well Tindalo-1. Pre-drill reserve expectations of the two wells is a total of 18mb combined.

Excellent start. This is an excellent start to this new era of drilling in the Palawan basin where the NDO/KIK joint venture has an extensive portfolio of shallow and deep water prospects. We have recently initiated research coverage of KIK with a risked valuation of these prospects of \$1.05 per share.

Oil and gas shows over 66m at least. Yakal-1 has encountered at least a 66m gross oil column in the Nido formation. The column is from the top of the formation at 1,773m down to 1,839m, and further testing is required to determine if the column extends below this point and to define the oil/water content. Oil and gas shows were found down to 1,862m, so the column could extend another 23m but tests to this point are ambiguous. Tests over the next few days should be more conclusive.

KIK:	Recommendation: Spec Buy	Previous Close: \$0.195	Price Target: na
NDO:	Recommendation: Not rated	Previous Close: \$0.275	Price Target: na

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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.