



26 September 2008

ENERGY

Kairiki Energy (KIK), Nido Petroleum (NDO)

First well confirmed as an oil discovery

Excellent result. Further testing over the past two days has confirmed Yakal-1 as an oil discovery with an oil column of between 78m and 93m and excellent indications of flow rate. This is the first of an initial two well program in the Palawan Basin, Philippines in joint venture with Nido Petroleum (60% NDO, 40% KIK).

\$0.47ps potential for KIK. Yakal-1 has come in every bit as good as expected making it an excellent start to the program. The concept of this campaign is to drill a number of relatively modest targets that together have the potential to establish a certain commercial threshold volume. Yakal is unlikely to be big enough as a standalone producing reservoir but if the next well, Tindalo-1, comes in as expected, the two could provide the beginning of a new production hub. This is a promising start to the inboard strategy involving up to 20 targets that we estimate to have a total unrisksed value of \$0.47 per KIK share.

KIK: Recommendation: Spec Buy Previous Close: \$0.195 Price Target: na

NDO: Recommendation: Not rated Previous Close: \$0.30 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.