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Brian Christie, 416-869-7118, brian.christie@nbfinancial.com
Associate: Will Jee, 416-869-8044, will.jee@nbfinancial.com
Associate: Brian Szeto, 416-869-6538, brian.szeto@nbfinancial.com

KODIAK EXPLORATION LIMITED - KXL (TSX.V) CDN\$1.88

Exploration Update

STOCK RATING: Outperform (Unchanged) ♦ RISK RATING: Speculative (Unchanged)

TARGET: Cdn\$5.50 (Unchanged)

We met with Kodiak at their Bush Lake camp on August 26, 2008 for a quick update on their exploration activities in the Geraldton-Beardmore area. They remain active on the Hercules project and several other properties in the region. Highlights are as follows:

Hercules Project

- Four drill rigs are active and they have now completed 240 holes (approximately 45,000 metres drilled). Results have been released for about 32,000 metres of the drilling.
- The goal is to expand the Golden Mile and test new structures.
- Holes are now testing the Golden Mile system to a depth of 600 metres.
- A new mineralized zone appears to be shaping up on the south east end of the Golden Mile system.
- Given the subtle nature of the low grade zone encountered in Hole HR08-137 (1.2 g/t over 41 metres), the company is reviewing holes drilled on the Lucky Strike vein to check for additional zones of low grade mineralization.

Solomon's Pillar

- Mineralization appears to be hosted in sulphidized banded iron formation (BIF). Sulphidization occurs where the BIF is cut by a low angle shear zone.
- Historical work by Inco (33 drill holes) outlined a mineralized zone that was 2-15 metres wide (averaged 7-8 metres in width), and graded 6.0 to 7.0 g/t gold. The work also suggested the presence of a high-grade core.
- Kodiak has completed 18 holes (about 3,000 metres) with the deepest penetration to a depth of 300 metres. Drilling has tested about 500 metres of strike length, and an additional 6 holes are planned to test another 100 to 150 metres of strike. Assays are pending.

- Management says that their drilling appears to correlate with the historic Inco results.
- Kodiak says that they have at least six other similar BIF targets on their regional land package.

West Geraldton

- 20 holes have been completed with an additional 30 holes planned. Assays are pending.
- The target is a shear zone in altered mafic metavolcanic rocks.
- Alteration consists of iron carbonate, silica, fuchsite, pyrite, and arsenopyrite.
- Historic grab samples have yielded values up to 130 g/t gold and a historic drill hole cut 328 g/t over 2.04 metres.

Sturgeon Bridge

- A drill program will be carried out this fall to test a mineralized shear zone.
- Grab samples by Kodiak have yielded values up to 13.97 g/t gold.

The company remains quite active on their Hercules project and several other properties in the region and should provide a steady stream of news in the coming months. We currently rate Kodiak with an Outperform rating and Cdn\$5.50 target price.

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