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Job Number:	-
Filer:	Kodiak Energy, Inc.
Form Type:	10-K
Reporting Period / Event Date:	12/31/08
Customer Service Representative:	Scott Berkley
Revision Number:	-

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Submission Type	10-K
Live File	on
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Exchange	NONE
Confirming Copy	off
Filer CIK	0001109553
Filer CCC	xxxxxxxx
Period of Report	12/31/08
Smaller Reporting Company	off
Shell Company	No
Voluntary Filer	No
Well-Known Seasoned Issuer	No
Notify via Filing website Only	off

Documents

10-K	kodiak10k123108.htm Kodiak Energy, Inc. Form 10-K December 31, 2008
EX-23.1	kodiak10k123108ex23-1.htm Consent of Meyers Norris Penny LLP
EX-31.1	kodiak10k123108ex31-1.htm Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002
EX-31.2	kodiak10k123108ex31-2.htm Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002
EX-32.1	kodiak10k123108ex32-1.htm Certification of Chief Executive Officer, pursuant to 18 United States Code Section as enacted by Section 906 of the Sarbanes-Oxley Act of 2002
EX-32.2	kodiak10k123108ex32-2.htm Certification of Chief Financial Officer, pursuant to 18 United States Code Section as enacted by Section 906 of the Sarbanes-Oxley Act of 2002

Module and Segment References

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File number 333-38558

KODIAK ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

65-0967706

(I.R.S. Employer Identification No.)

#405 - 505 8th Avenue S.W. Calgary, AB

(Address of principal executive offices)

T2P 2G1

(Zip code)

(403) 262-8044

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, \$0.001 par value

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 Or 15(d) of the Act. Yes No

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
 Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes No

The market value of the voting and non-voting common equity held by non-affiliates as of the last day of the most recently completed second fiscal quarter was \$61,000,000.

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of December 31, 2008: 110,023,998 Common Shares, \$0.001 par value.

Documents incorporated by reference: None.

KODIAK ENERGY INC.

Form 10-K
For the Fiscal Year Ended December 31, 2008

Table of Contents

PART I.

ITEM 1.	DESCRIPTION OF BUSINESS	3
ITEM 1A.	RISK FACTORS	8
ITEM 1B.	UNRESOLVED STAFF COMMENTS	12
ITEM 2.	DESCRIPTION OF PROPERTY	12
ITEM 3.	LEGAL PROCEEDINGS	13
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	14

PART II

ITEM 5.	MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	15
ITEM 6.	SELECTED FINANCIAL DATA	16
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION	16
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	20
ITEM 8.	FINANCIAL STATEMENTS	21
ITEM 9.	CONTROLS AND PROCEDURES	42
ITEM 9B.	OTHER INFORMATION	43

PART III

ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT	43
ITEM 11.	EXECUTIVE COMPENSATION	45
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	46
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS	47
ITEM 14.	PRINCIPAL ACCOUNTANTS FEES AND SERVICES	48
ITEM 15.	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	48

PART I

ITEM 1. DESCRIPTION OF BUSINESS

We were incorporated in Delaware on December 15, 1999. On December 22, 1999 we merged with Island Critical Care Corp., an inactive Florida corporation. The purpose of this merger was to effect a change in the domicile of the Florida Corporation to Delaware. Island Critical Care Corp. (a Florida corporation), was originally incorporated on March 15, 1996 under the name 9974 Holdings Inc., and subsequently changed its name from 9974 Holdings Inc. to Ontario Midwestern Railway Co. Inc, and finally the Florida Corporation's name was changed to Midwestern Railway Co. Inc. All three changes in name of the Florida Corporation were completed prior to its merger with the Delaware Corporation. On January 13, 2000, we merged with Island Critical Care Corporation, an Ontario Corporation. On December 27, 2004 we changed our name from Island Critical Care to Kodiak Energy, Inc ("Kodiak").

On February 5, 2003 the Company filed a petition for bankruptcy in the District of Prince Edward Island, Division No. 01-Prince Edward Island Court No. 1713, Estate No. 51-104460. The Company emerged from Bankruptcy pursuant to a court order on April 7, 2004 with no assets and no liabilities. Upon emergence from bankruptcy the company adopted Fresh Start Accounting pursuant to SOP 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code."

BUSINESS

The Company is an exploration stage oil and gas company that devotes most of its efforts in exploring for natural resources and, since 2005, has been active in Canada and the United States in acquiring properties that are prospective for petroleum and natural gas and related hydrocarbons. The Company currently has no oil and gas reserves or production.

As at December 31, 2008, the Company had four wholly-owned subsidiaries; Kodiak Petroleum ULC ("KULC"), an inactive Alberta company; 1438821 Alberta Ltd. ("1438821"), an Alberta company incorporated in November, 2008 and which changed its name to Cougar Energy, Inc. ("Cougar") in February, 2009; Kodiak Petroleum (Montana), Inc. ("KPMI"), a Delaware company which operates Kodiak's projects in New Mexico and Montana and Kodiak Petroleum (Utah), Inc. ("KPUT"), an inactive Delaware company. In January, 2009, The Company vended its Lucy, B.C. and Cree Energy Alberta Lands projects into Cougar. See Subsequent Event Note 20 to the consolidated financial statements included with this Form 10-K.

Following are descriptions of the Company's current projects.

Canada

Lucy – Northern British Columbia

The Corporation is the operator and 80% working interest owner of a 1,920 acre lease located in Northeastern British Columbia. The Corporation believes the lease is situated on the southeast edge of the Horn River Basin and the Muskwa Shale gas prospect. Industry continues to show increased interest in this shale gas play with several comparisons of the Muskwa Shale gas potential as an analogue of the Barnett Shale gas potential.

The Corporation has been involved in two previous drilling operations on the lease. In the fourth quarter of 2006, Kodiak farmed in as a non-operated partner, paying 10% to earn 7.5%, on a drilling operation in the Lucy (Gunnell) area. This first drilling operation, designed to target a Middle Devonian reef prospect, had several operational problems and was unsuccessful.

After performing an internal review of seismic and drilling data, it was determined there was a seismic anomaly on the southern half of the lease. This anomaly was identified on several different seismic lines and a decision was made to drill a well on that part of the lease to evaluate both the anomaly as the primary target and the Muskwa Shale, seen in the first well but not evaluated by the operator at that time.

In the third quarter of 2007, the Corporation served partners with an independent operations notice which resulted in the Corporation increasing its working interest in the lease to 80%.

In the first quarter of 2008, a second drilling operation was completed and a vertical well was cased. It was determined that the Middle Devonian seismic anomaly was not a reef buildup and the wellbore was cased due to encountering significant gas shows in the previously identified Muskwa Shale with a formation thickness of approximately sixty meters.

The Corporation submitted an application to the British Columbia Oil & Gas Commission ("OGC") for an experimental scheme to test the Muskwa Shale gas potential. On August 12, 2008, Kodiak received the final approval of the Lucy experimental scheme application. The Corporation has prepared a multi-phase work program designed to test the deliverability of the Muskwa Shale gas formation using vertical and horizontal drilling and completion techniques. Kodiak's proposed work program would allow for early production into a pipeline in order to monitor long-term deliverability rates and pressures of horizontal and vertical test wells on the periphery of the Horn River Basin.

These results would be some of the first commercial production results for a Horn River Basin shale gas project and would provide information that would help define the effective exploration area of the Basin and assist in the validation of adjoining properties in a divestiture process, should that occur.

Kodiak contracted an industry-recognized shale gas assessment laboratory to prepare and analyze the drill cuttings from the 2008 well in order to evaluate the Muskwa Shale interval for gas potential. The shale gas assessment is conducted by performing various tests on the rock cuttings that were obtained while drilling the well in order to determine the type, quality and amount of both adsorbed and free gas.

The most important conclusion from the drill cutting analysis is that the information received continues to support the evaluation of Kodiak's Muskwa (Evie) Shale gas prospect. The laboratory data is consistent with other public industry and government data on the Muskwa Shale. It should also be noted that the numbers obtained on the laboratory analysis of drill cuttings may be conservative due to the nature of sampling drill cuttings on a drilling rig. Another significant point is that all three wells on the Kodiak lease, drilled deep enough to penetrate the Muskwa Shale, had elevated gas detector readings while penetrating the shales.

The prospect is still in the early stages of delineation and no assurance can be given that its exploitation will be successful. However, based on well cuttings and drilling data, Kodiak's internal technical analysis has estimated the volume of adsorbed and free gas in the Muskwa (Evie) shales to have potential net reserves of 41 bcf per section or 123 bcf total. Based on estimated 25% recovery factor on the three sections of land, we estimate a total of 30.75 bcf recoverable contingent resources. In calculating this number, the Corporation used all of the laboratory analysis findings and wellbore information obtained during the drilling operation. For reference, this internally calculated volume is between the "best" and "high" calculations listed in the Chapman report that only had the TOC analysis and industry available data. Further appraisal work is required before these estimates can be finalized and commerciality assessed. The current intention is to perform the following work commitments for the license (target dates are subject to change as new information becomes available):

- Second Quarter 2009 and Third Quarter 2009 - Perforate the Muskwa intervals, perform a vertical shale gas fracture treatment, test and evaluate pressures and production and, if economic, equip and tie in well to an existing pipeline approximately 1 Km from the wellhead.
- First Quarter 2010 and Second Quarter 2010 – Drill and case a 1000 meter horizontal leg from an existing cased vertical well on the lease, perform a horizontal staged fracture treatment, test and evaluate pressures and production and, if economic, equip and tie in well to pipeline.

CREnergy Lands, Alberta

On November 28, 2008, Kodiak entered into a binding letter agreement with CREnergy Oil and Gas Inc., a company which is the authorized agent of Peerless/Trout Lake First Nation and Alberta Cree Nation, which are new First Nations in various stages of ratification from the federal Government of Canada to satisfy outstanding Treaty Land Entitlement claims. As part of the Treaty Land Entitlement settlements it is expected these new First Nations will receive approximately 15 townships or 540 sections of mineral rights for development in Alberta.

In exchange for Kodiak advancing certain contracted funds and making work program commitments, the Corporation will have an exclusive opportunity to develop certain identified oil and gas properties within the Peerless/Trout Lake First Nation and the Alberta Cree Nation. The joint venture is based on a confidential letter of intent with a term sheet and a head agreement for developing the relationship going forward. This arrangement is designed to be the stepping stone for a larger scale oil and gas development project.

Kodiak will initially have the opportunity to select up to approximately two townships (72 sections or 46,000 acres) of mineral rights from the combined Peerless/Trout Lake First Nations identified lands and Alberta Cree Nation identified lands. The leases will be for ten years, paid up with all rights. Kodiak will submit to CREnergy a development plan for the two selected townships on or before May 1, 2009 with a goal to begin exploration and development operations on or before November 1, 2009. CREnergy and Kodiak will discuss terms and conditions for the development of other townships of land on or before May 1, 2010.

Little Chicago – Northwest Territories

The Company is the operator and largest working interest owner of the 201,160 acre Exploration Licence 413 (“EL 413”) in the Mackenzie River Valley centered along the planned Mackenzie Valley Pipeline.

In 2006, the Company signed an exploration farm-in agreement with the two 50% working interest owners of EL 413. The company reprocessed 50 km of existing seismic data in Q4 of 2006 and during the 2006-07 winter work season, the Company shot and acquired 84 km of high resolution proprietary 2D seismic and gravity survey data on the farm-out lands, thus earning a 12.5% working interest in the property. In September, 2007, the Company acquired Thunder River Energy, Inc.'s (“Thunder”) remaining 43.75% in the property giving the Company a 56.25% interest in EL 413. A letter of intent signed earlier in 2008 with the Company's remaining partner in the project, which would have allowed Kodiak to acquire the balance of the working interest in EL 413 and become a 100% working interest owner, recently expired.

A 2007-08 43 km 2D high resolution proprietary seismic program and gravity survey was completed on the property and the results were processed and interpreted and used to support the Corporation's planned drilling program. This project was completed on budget and schedule. The seismic and gravity data from the two projects show substantial structural closure and formation character and support the planning for a future multiple well drilling program. That data was included in an updated Chapman Prospective Resource report published in May, 2008.

The decision to acquire additional seismic and gravity data in the winter of 2007-08 was made to improve the potential to drill both the Devonian Bear Rock and the Basal Cambrian Sand targets from a common drilling site. This would substantially lower drilling costs on a per well basis and reduce the overall project risk.

Kodiak has analyzed the 2007-08 seismic data and the various reservoir indicators/lands and identified 11 drill locations. These drill locations have been selected to evaluate three primary target formations on EL 413 including the Devonian Bear Rock Oil Prospect, the Basal Cambrian Sand /Top Precambrian Oil and Gas Prospect and the Canol Oil Prospect. These locations have been further high graded into a two phase drilling program consisting of two wells with a planned total depth of 2400 meters each targeting both the Basal Cambrian/Precambrian and the Bear Rock prospects and a multi-well shallow drilling program with a planned total depth of 400m each targeting the Canol prospect. A scouting trip was completed in the third quarter of 2008 which allowed the Corporation to review potential access routes, well sites and camp locations.

The Devonian Bear Rock Prospect ("Bear Rock") is the first described target and is located at a shallow depth of approximately 700 meters (2,300 ft.). This reservoir was previously identified and preliminarily evaluated in the initial Chapman Report prepared in 2005. The expected product from the reservoir is light and medium oil, with no consideration to solution gas.

The combined seismic obtained during 2007 and 2008 acknowledged a series of pools distributed throughout the project. The Chapman Report identified fifteen Bear Rock leads located along the seismic lines with five of them being selected as well defined high grade Bear Rock leads. This is an increase of 5 additional leads from the initial 2007 work program. Indicators of these potentially prolific reservoirs are present along several seismic lines that may imply these Bear Rock occurrences to be present throughout EL 413.

The additional 2008 seismic further defined a hydrocarbon trap in the Basal Cambrian Sand sitting on the top of the Precambrian. This interval, found at a depth of approximately 2,300 meters (7,545 feet), has never been regionally penetrated and tested; however, it has been proven as a productive reservoir in the Colville Hills area approximately 125 kilometers (77 miles) east of EL 413. With this additional data, the Chapman Report identified five drilling locations that will allow the Basal Cambrian Sand and the top of the Precambrian to be drilled and tested.

Physical evidence of hydrocarbons is present with a natural surface oil seep on the northern edge of the license area on the banks of the Mackenzie River. This natural occurrence is suggestive of a shallow oil pool, possibly in the Canol formation, and warrants further investigation. While reviewing core samples and well logs from previous regional drilling activity, Kodiak was able to map out the Canol/Imperial formation and determine that it is the likely source of the natural surface seeps. This prospect will be found on the Northwest quarter of EL 413 and is at a very shallow depth of approximately 350 meters (1,148 feet). The Corporation has identified 5 drilling locations which will be evaluated during a planned future project drilling program.

Kodiak is preparing for the previously mentioned drilling program and has commenced work on the necessary permits and applications. The Corporation is working with the Sahtu and the Gwich'in, which are the beneficiaries of the land claims containing the EL 413 licence. The Corporation does not believe there will be any difficulty finishing the Access and Benefits Agreement prior to submitting the final applications to the regulators for approval. The Corporation is currently in discussions with other industry partners to share in the costs of the drilling programs, thus reducing risk and capital commitments. Financing plans will be finalized when overall partnerships are established. Kodiak intends on retaining operatorship.

In addition, Kodiak has made application with regulators to extend the EL 413 license and has recently received written notification from Indian and Northern Affairs Canada that a 1 year extension is available to the EL 413 licence. The licence extension is subject to certain terms and conditions, which Kodiak is presently reviewing for consideration.

Province/Granlea – Southeast Alberta

The Corporation purchased a 50% working interest in two sections (1280 acres gross - 640 net) of P&NG rights at a provincial land sale on September 22, 2005. In 2005, a 2D seismic program was completed on the property and in 2006, a well was drilled and completed; surface facilities were installed and a pipeline tie-in was completed. Production commenced in September, 2006. The well produced for a short period until excess water rates occurred and in October, 2006 the well was shut in. After the well bore was evaluated as having no current economic production potential, the well was abandoned. An internal geological review of the prospect will be done to determine if any further drilling is warranted.

United States

New Mexico

Through its acquisition of Thunder, the Corporation acquired a 100% interest in 55,000 acres of property located in northeast New Mexico. Additional land acquisitions have increased the Corporation's land position to approximately 79,000 acres. These lands have potential for natural gas and CO₂ and oil and helium resources at shallow depths. In 2008, the Corporation purchased 19,000 stations of gravity data and 37 miles of trade seismic data, completed a 35 mile 2D high resolution proprietary seismic program and a three well drilling program.

The three wells were drilled with air to reduce formation damage and they were cased to the base of the Yeso formation. Based on gas detector results, drill cutting samples and open hole logs, all wells showed three potential shallow porous sandstone formations capable of CO₂ production with up to 200 feet of identified net pay thickness. The Yeso, Glorieta and Santa Rosa formations were perforated and flow tested to determine deliverability and pressure. There were multiple gas samples analyzed at specialized independent laboratories from two separate extended flow tests that identified CO₂ concentration quality from 98.4% to 99.5%. Two of the wells were stimulated with a nitrified acid squeeze and were able to sustain an extended flow rate of approximately 375mcf/d. The shallow sands have been mapped using offset well control and the newly acquired seismic data and the Corporation has determined there is a very high likelihood of encountering the target formations throughout the leased project area; provided, however, that no assurance can be given that this will be the case.

The 35 mile 2D high resolution seismic program was completed on schedule and on budget and after reviewing the seismic data, the Company was able to effectively map out a probable long term development area which would result in CO₂ production from the previously identified formations. The seismic is currently being evaluated to identify possible conventional oil and gas prospects on the leased project area.

A preliminary project feasibility study was commissioned to identify capital development costs and timelines as well as projected operating costs in order to provide information to support a large scale long-term plan of development. This information will enable the definitions for pipeline access planning and negotiation, transportation agreements, sales contracts for the CO₂, additional land acquisition terms and conditions, facility engineering and construction and ultimately the parameters for financing the project development.

Several companies have expressed interest in participating in the New Mexico properties at several levels of involvement. There is also potential for the integration of the CO₂ production into Permian Basin enhanced oil recovery projects.

Montana

During 2006, the Company, under a joint venture farmout agreement, participated in a seismic acquisition program and a two well drilling program to earn a 50% non-operating working interest in the wells and well spacing. This joint venture project provides the company with the right to participate on a 50% basis going forward on this prospect in the Hill County area of Montana. The Operator of the project had 60,000 contiguous undeveloped acres of P&NG rights in the area, as well as some excess capacity in facilities and pipelines. Two wells were drilled in the third quarter of 2006; one is cased for subsequent evaluation of the multiple zones found and one was abandoned. In order to facilitate the efficient exploration of this prospect area, the company has acquired from the original operator a 100% working interest of 12,000 acres of P&NG rights while retaining the right to participate and initiate operations on the remaining approximate 48,000 acres of prospect leases. After an internal geological review of this prospect, and in light of current commodity prices, consideration is being given to the divestiture of the property and the company is working jointly with our partner to obtain the best value.

ITEM 1A. RISK FACTORS

Going Concern Uncertainty

There is uncertainty that the Company will continue as a going concern, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has not generated positive cash flow since inception and has incurred operating losses and will need additional working capital for its future planned activities. The June, 2008 financing and the 2009 financings described in Note 21 to the consolidated financial statements, will provide sufficient working capital to fund the Company's operations until mid 2009 when additional financing will be required. These conditions raise doubt about the Company's ability to continue as a going concern. Continuation of the Company as a going concern is dependent upon obtaining sufficient working capital to finance ongoing operations. The Company's strategy to address this uncertainty includes additional equity and debt financing; however, there are no assurances that any such financings can be obtained on favorable terms, if at all. These financial statements do not reflect the adjustments or reclassification of assets and liabilities that would be necessary if the Company were unable to continue its operations.

Financial Markets Instability and Uncertainty

The 2008-09 worldwide financial and credit crisis has reduced the availability of capital and credit to fund the continuation and expansion of industrial business operations worldwide. The shortage of capital and credit combined with recent substantial losses in worldwide equity markets has led to an extended worldwide economic recession. The slowdown in economic activity caused by this recession is reducing worldwide demand for energy and resulting in lower oil and natural gas and other commodity prices. A prolonged reduction in oil and natural gas prices will depress the immediate levels of exploration, development and production activity. That is impacting negatively on our Company's ability to raise capital to finance our ongoing capital projects. The Company may be required to consider divestiture of some properties or working interests to raise funds. Until the financial market conditions improve, we will face significant challenges in meeting our ongoing financial obligations. This global financial crisis may have impacts on our business and financial condition that we currently cannot predict.

The Oil and Gas Industry Is Highly Competitive

The oil & gas industry is highly competitive. We compete with oil and natural gas companies and other individual producers and operators, many of which have longer operating histories and substantially greater financial and other resources than we do. We compete with companies in other industries supplying energy, fuel and other needs to consumers. Many of these companies not only explore for and produce crude oil and natural gas, but also carry on refining operations and market petroleum and other products on a worldwide basis. Our larger competitors, by reason of their size and relative financial strength, can more easily access capital markets than we can and may enjoy a competitive advantage in the recruitment of qualified personnel. They may be able to absorb the burden of any changes in laws and regulation in the jurisdictions in which we do business and handle longer periods of reduced prices of gas and oil more easily than we can. Our competitors may be able to pay more for productive oil and natural gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than we can. Our ability to acquire additional properties in the future will depend upon our ability to conduct efficient operations, evaluate and select suitable properties, implement advanced technologies and consummate transactions in a highly competitive environment.

Government and Environmental Regulation

Our business is governed by numerous laws and regulations at various levels of government. These laws and regulations govern the operation and maintenance of our facilities, the discharge of materials into the environment and other environmental protection issues. The laws and regulations may, among other potential consequences, require that we acquire permits before commencing drilling, restrict the substances that can be released into the environment with drilling and production activities, limit or prohibit drilling activities on protected areas such as wetlands or wilderness areas, require that reclamation measures be taken to prevent pollution from former operations, require remedial measures to mitigate pollution from former operations, such as plugging abandoned wells and remediation of contaminated soil and groundwater, and require remedial measures to be taken with respect to property designated as a contaminated site.

Under these laws and regulations, we could be liable for personal injury, clean-up costs and other environmental and property damages, as well as administrative, civil and criminal penalties. We maintain limited insurance coverage for sudden and accidental environmental damages as well as environmental damage that occurs over time. However, we do not believe that insurance coverage for the full potential liability of environmental damages is available at a reasonable cost. Accordingly, we could be liable, or could be required to cease production on properties, if environmental damage occurs.

The costs of complying with environmental laws and regulations in the future may harm our business. Furthermore, future changes in environmental laws and regulations could occur that may result in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs, any of which could have a material adverse effect on our financial condition or results of operations.

The Successful Implementation Of Our Business Plan Is Subject To Risks Inherent In The Oil & Gas Business.

Our oil and gas operations are subject to the economic risks typically associated with exploration, development and production activities, including the necessity of significant expenditures to locate and acquire properties and to drill exploratory wells. In addition, the cost and timing of drilling, completing and operating wells is often uncertain. In conducting exploration and development activities, the presence of unanticipated pressure or irregularities in formations, miscalculations or accidents may cause our exploration, development and production activities to be unsuccessful. This could result in a total loss of our investment in a particular property. If exploration efforts are unsuccessful in establishing proved reserves and exploration activities cease, the amounts accumulated as unproved costs will be charged against earnings as impairments.

We Expect Our Operating Expenses To Increase Substantially In The Future And May Need To Raise Additional Funds.

We have a history of net losses and expect that we expect to incur additional our operating expenses over the next 12 months as we continue to implement our business plan. In addition, we may experience a material decrease in liquidity due to unforeseen expenses or other events and uncertainties. As a result, we may need to raise additional funds, and such funds may not be available on favourable terms, if at all. If we cannot raise funds on acceptable terms, we may not be able to execute on our business plan, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. This may seriously harm our business, financial condition and results of operations.

We Are An Exploration Stage Company Implementing A New Business Plan.

We are an exploration stage company with only a limited operating history upon which to base an evaluation of our current business and future prospects, and we have just begun to implement our business plan. Since our inception, we have suffered recurring losses from operations and have been dependent on new investment to sustain our operations. During the years ended December 31, 2008, 2007, 2006 and 2005, we reported losses of \$2,074,649, \$2,571,663 (Restated), 2,867,374 and 1,133,790 respectively. In addition, our consolidated financial statements for the years ended December 31, 2008, 2007, 2006 and 2005 contained a going concern qualification and we cannot give any assurances that we can achieve profits from operations.

Our Ability To Produce Sufficient Quantities Of Oil & Gas From Our Properties May Be Adversely Affected By A Number Of Factors Outside Of Our Control.

The business of exploring for and producing oil and gas involves a substantial risk of investment loss. Drilling oil wells involves the risk that the wells may be unproductive or that, although productive, that the wells may not produce oil or gas in economic quantities. Other hazards, such as unusual or unexpected geological formations, pressures, fires, blowouts, loss of circulation of drilling fluids or other conditions may substantially delay or prevent completion of any well. Adverse weather conditions can also hinder drilling operations. A productive well may become uneconomic due to pressure depletion, water encroachment, mechanical difficulties, etc, which impair or prevent the production of oil and/or gas from the well.

There can be no assurance that oil and gas will be produced from the properties in which we have interests. In addition, the marketability of any oil and gas that we acquire or discover may be influenced by numerous factors beyond our control. These factors include the proximity and capacity of oil and gas pipelines and processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental protection. We cannot predict how these factors may affect our business.

In addition, the success of our business is dependent upon the efforts of various third parties that we do not control. We rely upon various companies to assist us in identifying desirable oil and gas prospects to acquire and to provide us with technical assistance and services. We also rely upon the services of geologists, geophysicists, chemists, engineers and other scientists to explore and analyze oil prospects to determine a method in which the oil prospects may be developed in a cost-effective manner. In addition, we rely upon the owners and operators of oil drilling equipment to drill and develop our prospects to production. Although we have developed relationships with a number of third-party service providers, we cannot assure that we will be able to continue to rely on such persons. If any of these relationships with third-party service providers are terminated or are unavailable on commercially acceptable terms, we may not be able to execute our business plan.

Market Fluctuations In The Prices Of Oil & Gas Could Adversely Affect Our Business.

Prices for oil and natural gas tend to fluctuate significantly in response to factors beyond our control. These factors include, but are not limited to actions of the Organization of Petroleum Exporting Countries and its maintenance of production constraints, the U.S. economic environment, weather conditions, the availability of alternate fuel sources, transportation interruption, the impact of drilling levels on crude oil and natural gas supply, and the environmental and access issues that could limit future drilling activities for the industry.

Changes in commodity prices may significantly affect our capital resources, liquidity and expected operating results. Price changes directly affect revenues and can indirectly impact expected production by changing the amount of funds available to reinvest in exploration and development activities. Reductions in oil and gas prices not only reduce revenues and profits, but could also reduce the quantities of reserves that are commercially recoverable. Significant declines in prices could result in charges to earnings due to impairment.

Changes in commodity prices may also significantly affect our ability to estimate the value of producing properties for acquisition and divestiture and often cause disruption in the market for oil producing properties, as buyers and sellers have difficulty agreeing on the value of the properties. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation of projects. We expect that commodity prices will continue to fluctuate significantly in the future.

Risks Of Penny Stock Investing

The Company's common stock is considered to be a "penny stock" because it meets one or more of the definitions in the Exchange Act Rule 3a51-1, a Rule made effective on July 15, 1992. These include but are not limited to the following: (i) the stock trades at a price less than five dollars (\$5.00) per share; (ii) it is NOT traded on a "recognized" national exchange; (iii) it is NOT quoted on the NASD's automated quotation system (NASDAQ), or even if so, has a price less than five dollars (\$5.00) per share; OR (iv) is issued by a company with net tangible assets less than \$2,000,000, if in business more than three years continuously, or \$5,000,000, if in business less than a continuous three years, or with average revenues of less than \$6,000,000 for the past three years. The principal result or effect of being designated a "penny stock" is that securities broker-dealers cannot recommend the stock but must trade in it on an unsolicited basis.

Risks Related To Broker-Dealer Requirements Involving Penny Stocks / Risks Affecting Trading And Liquidity

Section 15(g) of the Securities Exchange Act of 1934, as amended, and Rule 15g-2 promulgated there under by the Commission require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account. These rules may have the effect of reducing the level of trading activity in the secondary market, if and when one develops.

Potential investors in the Company's common stock are urged to obtain and read such disclosure carefully before purchasing any shares that are deemed to be "penny stock." Moreover, Commission Rule 15g-9 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Pursuant to the Penny Stock Reform Act of 1990, broker-dealers are further obligated to provide customers with monthly account statements. Compliance with the foregoing requirements may make it more difficult for investors in the Company's stock to resell their shares to third parties or to otherwise dispose of them in the market or otherwise.

Our controls and procedures have not been effective and we have restated our financial statements.

In the fiscal years 2007 and 2008, management has identified issues concerning the effectiveness of our controls and procedures. As a result, it has been determined that they have not been effective. One of the results has been the need to restate the unaudited and audited financial statements for certain periods in 2005 through 2008. The financial statements as originally filed for those periods should not be relied upon.

The company will take measures to remediate the failures in effectiveness of the controls and procedures. Currently, the company has plans for certain actions, but they will take time to implement because of their cost. There can be no assurance when remediation will be complete, if at all. Therefore, future reports may have statements indicating that the Company's controls and procedures are not effective. Additionally, future financial statements may have to be restated if as a result of the ineffectiveness of controls and procedures the statements are inaccurate.

ITEM 1B. UNRESOLVED STAFF COMMENTS

On November 13, 2007, the Company filed with the Commission an SB-2 registration statement pertaining to the common shares of the Company issued in connection with the private placement financings in September, October and November, 2007 and the September, 2007 Thunder property acquisition. The Commission responded to the Company with certain comments and questions regarding the SB-2 registration statement and other comments and questions relating to the Company's December 31, 2006 Annual Form 10-KSB and Quarterly Forms 10-QSB for the periods ended March 31, 2007 and June 30, 2007. Since that time and in an effort to resolve all outstanding comments, the Company and Commission have exchanged additional correspondence. During the process, the Company has withdrawn its SB-2 registration statement and the Commission has had additional comments and questions relating to the Company's September 30, 2007 Quarterly Report 10-QSB, December 31, 2007 Annual Report 10-K and its Quarterly Forms 10-Q for March 31, June 30 and September 30, 2008. The Company believes that with the restatements reflected in the amended Form 10-K report for the year ended December 31, 2007, amended Form 10-Q/A report for the period ended September 30, 2007 and the filing of the Form 10-K report for the year ended December 31, 2008, it has resolved all staff comments except one matter relating to certain 2006 shares issued for services.

In addition to the above correspondence, the Company has received a letter dated March 23, 2009 from the Commission with certain comments and questions relating to the Company's March 17, 2009 Form 8-K. The Company is in process of drafting responses to the Commission's letters of March 13 and 23.

At this time, the Company cannot determine if there are any additional comments or if the outstanding comments will be resolved.

ITEM 2. DESCRIPTION OF PROPERTY

Office Property

During December, 2008, Kodiak Energy, Inc. relocated its offices to 505 8th Avenue S.W. Suite 405, Calgary, AB, T2P 2G1. We rent offices on a month by month basis. The current monthly rent is approximately \$7,000 CAD.

Oil and Gas Properties

The Corporation currently has four properties in Canada and two in the United States comprising undeveloped land holdings on which it is carrying out exploration activities. A description of each property and its current activities is included under BUSINESS in PART I ITEM 1 DESCRIPTION OF BUSINESS.

Land Acreage

Following is a summary of the Corporation's land holdings in gross and net hectares and acres:

OIL AND NATURAL GAS RIGHTS as of December 31, 2008

	Gross Hectares	Net Hectares	Gross Acres	Net Acres
Developed Acreage	Nil	Nil	Nil	Nil
Undeveloped Acreage				
South East Alberta – Granlea	518	259	1,280	640
Northeast British Columbia – Lucy	777	622	1,920	1,536
Northwest Territories – Little Chicago	80,464	45,261	201,160	113,153
Total Canada	81,759	46,142	204,360	115,329
Montana	5,455	5,071	13,638	12,678
New Mexico	31,539	31,539	78,847	78,847
Total United States	36,994	36,610	92,485	91,525
Grand Total	118,753	82,752	296,845	206,853

A developed acre is considered to mean those acres spaced or assignable to productive wells, a gross acre is an acre in which a working interest is owned, and a net acre is the result that is obtained when fractional ownership working interest is multiplied by gross acres. The number of net acres is the sum of the fractional working interests owned in gross acres expressed as whole numbers and fractions thereof.

Undeveloped acreage is considered to be those lease acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil or natural gas, regardless of whether or not that acreage contains proved reserves, but does not include undrilled acreage held by production under the terms of a lease. As is customary in the oil and gas industry, we can generally retain our interest in undeveloped acreage by drilling activity that establishes commercial production sufficient to maintain the leases or by paying delay rentals during the remaining primary term of such a lease. The oil and natural gas leases in which we have an interest are for varying primary terms, and if production continues from our developed lease acreage beyond the primary term, we are entitled to hold the lease for as long as oil or natural gas is produced.

Employees

Up to December 31, 2008, the Company has utilized a small number of full-time employees and some full-time and part-time consultants as its personnel to conduct its business and carry out its business plan. As at that date, three full-time employees, two full time consultants and three part-time consultants were engaged by the Company.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not presently a party to any litigation.

Brink Litigation

On or about June 18, 2008, the Company entered into a letter agreement (the "Letter Agreement") with Brink Energy Ltd. ("Brink"), a private Alberta oil and gas corporation, with respect to a proposed Plan of Arrangement (the "Arrangement"), in accordance with the Alberta Business Corporations Act, which provided for the Company to acquire all of the outstanding shares of Brink (the "Transaction"). Under the Arrangement, the holders of common shares of Brink ("Brink Shares") would have received for each Brink Share, at the election of the Brink shareholder, either: (i) 0.411 of a common share of the Company, or (ii) \$0.575 plus 0.2055 of a Company share, subject to an aggregate maximum amount of cash paid to Brink shareholders of Cdn. \$7 million. Assuming Brink shareholders had elected to receive the \$7 million maximum cash consideration, the balance of the consideration for the Brink Shares would have been paid in common shares of the Company. The Letter Agreement provided that a non-completion fee would be payable by Brink to Kodiak, as liquidated damages, by way of a transfer of Brink's interest in certain lands in the event there was a breach or non-performance by Brink of a material provision of the Letter Agreement.

In addition, in June, 2008, the Company loaned \$980,681 (Cdn. \$1 million) to Brink, which loan bore interest at prime plus 2% and was convertible into common shares of Brink under certain circumstances.

In a letter dated August 18, 2008, Brink's counsel, on behalf of the Board of Directors of Brink, advised the Company that it was not going to proceed with the Transaction. On September 12, 2008, the Company filed in the Court of Queen's Bench of Alberta, Judicial District of Calgary, a Statement of Claim against Brink in which the Company claimed, among other things, repayment of its loan, including accrued interest thereon, and the transfer to the Company of certain lands of Brink in satisfaction of Brink's Non-completion fee obligation arising out of Brink's termination of the Transaction. On September 29, 2008, Brink filed in the Court of Queen's Bench of Alberta, Judicial District of Calgary, a Statement of Defence in which Brink denied all of the allegations in the Company's Statement of Claim. At the same time, Brink filed a Counterclaim in which Brink claimed, among other things, that Kodiak breached covenants of the Letter Agreement and that Kodiak was obligated to Brink for a Non-completion fee of \$1 million.

On October 7, 2008, the Company filed a Statement of Defence denying all of Brink's allegations in its Counterclaim.

In November, 2008, a settlement agreement was reached between the parties which included the repayment by Brink of the Company's loan, payment of accrued interest on the loan of \$25,547 and payment of \$200,000 to the Company in resolution of all other claims between the parties. These settlement amounts were paid to the Company in November, 2008 and all claims by both parties have been dismissed.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On December 3, 2008, Kodiak Energy held its annual shareholders' meeting. At the meeting the shareholders voted in favor of four proposals put to them, listed below.

The shareholders elected the following persons to serve as directors until the next annual meeting of shareholders: William Tighe, Glenn Watt, Peter Schriber, Marvin Jones and Les Owens. The result of the vote is listed below:

	<u>For</u>	<u>Against</u>	<u>Abstained</u>
William S. Tighe	88,908,857	Nil	1,326,013
Glenn Watt	88,911,319	Nil	1,323,551
Peter Schriber	89,919,269	Nil	315,601
Marvin Jones	88,925,739	Nil	1,309,131
Les Owens	89,940,769	Nil	294,101

The shareholders approved the stock option plan of Kodiak Energy, Inc., including certain amendments to the plan. The result of the vote was 72,025,036 votes For (65.4%); 749,916 votes Against (.7%); 105,252 votes Abstain (.1%) and 17,354,666 Non-votes (15.77%).

The shareholders ratified the appointment of Meyers Norris Penny LLP as the Company's independent registered public accounting firm for 2008. The result of the vote was 90,028,478 votes For (81.8%); 172,810 votes Against (.2%); 33,582 votes Abstain (.03%) and Nil Non-votes (0%).

The shareholders approved an amendment to the Company's Certificate of Incorporation for the authorization of 10,000,000 shares of preferred stock which may be issued in one or more series, with such rights, preferences, privileges and restrictions as shall be fixed by the Board of Directors from time to time. The result of the vote was 71,146,435 votes For (64.7%); 1,654,804 votes Against (1.5%); 78,965 votes Abstain (.07%) and 17,354,666 Non-votes (15.77%).

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's common shares are currently quoted on the Nasdaq Over the Counter Bulletin Board under the symbol KDKN. On December 24, 2007, the Company's common shares commenced trading on the Toronto Venture Stock Exchange in Canada under the symbol KDK. Trading ranges of the Company's common shares by quarter for fiscal 2008, 2007, and 2006 were as follows:

	Nasdaq Over the Counter (U. S. Dollars)		Toronto Venture Exchange (Canadian Dollars)	
	High	Low	High	Low
Year ended December 31, 2008				
First Quarter	\$ 2.51	\$ 1.36	\$ 2.56	\$ 1.40
Second Quarter	\$ 3.08	\$ 1.46	\$ 3.10	\$ 1.50
Third Quarter	\$ 2.40	\$ 0.75	\$ 2.29	\$ 0.81
Fourth Quarter	\$ 0.95	\$ 0.41	\$ 0.97	\$ 0.51
Year ended December 31, 2007				
First Quarter	\$ 2.00	\$ 1.10	\$ -	\$ -
Second Quarter	\$ 4.47	\$ 1.80	\$ -	\$ -
Third Quarter	\$ 3.69	\$ 2.07	\$ -	\$ -
Fourth Quarter	\$ 3.69	\$ 2.15	\$ 2.45	\$ 2.27
Year ended December 31, 2006				
First Quarter	\$ 1.20	\$ 0.375	\$ -	\$ -
Second Quarter	\$ 2.50	\$ 1.15	\$ -	\$ -
Third Quarter	\$ 2.30	\$ 1.14	\$ -	\$ -
Fourth Quarter	\$ 2.05	\$ 1.06	\$ -	\$ -

The Company has not paid cash dividends since inception. The Company intends to retain all of its earnings, if any, for use in its business and does not anticipate paying any cash dividends in the foreseeable future. The payment of any future dividends will be at the discretion of the board of directors and will depend upon a number of factors, including future earnings, the success of the company's business activities, capital requirements, the general financial condition and future prospects of the company, general business conditions and such other factors as the board of directors may deem relevant.

EQUITY COMPENSATION PLAN INFORMATION

On January 4, 2006, our board of directors adopted a stock option plan. This plan was approved by the shareholders of the Company at the annual meetings held on July 18, 2006, August 14, 2007 and December 3, 2008 in Calgary, Alberta. The plan originally authorized a total of 4,300,000 common shares to be granted as stock option awards under the plan. At the 2007 annual meeting, shareholders approved an increase in the authorized total to 8,000,000 common shares. At the December 3, 2008 annual meeting, certain amendments were made which amendments are set out in detail in the Company's Proxy Statement as filed with the Commission on October 27, 2008. As of December 31, 2008, no options had been exercised. See Note 13 to the consolidated financial statements for certain equity plan information.

RECENT SALES OF UNREGISTERED SECURITIES

On June 18, 2008, the Company closed a private placement financing aggregating 1,204,000 units at a price of U.S.\$2.50 per unit for gross proceeds of \$3,010,000. The units consist of one common share and one warrant, which warrant entitles the holder to purchase, until June 18, 2010, one common share of the company at a price per share of \$3.50. The units were issued pursuant to Regulation S ("Regulation S") under the Securities Act of 1933, as amended.

As at December 31, 2008 there were 110,023,998 shares of common stock issued and outstanding and there were approximately 7,000 holders of record of our common stock.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected consolidated financial data and should be read in conjunction with the Company's consolidated financial statements and related notes thereto appearing elsewhere in this Form 10-K:

For the years ended December 31	2008	2007	2006	2005	2004
Income during the evaluation period	\$ 1,065	\$ 225	\$ 27,134	\$ Nil	\$ Nil
Operating Expense	\$ 9,646	20,543	13,572	Nil	Nil
Net Loss	\$ 2,074,649	2,571,663	2,867,374	1,133,790	62,613
Net Loss per share					
Basic	\$ 0.02	0.03	0.04	0.60	0.03
Diluted	\$ 0.02	0.03	0.04	0.60	0.03
Cash Dividends	\$ Nil	Nil	Nil	Nil	Nil
Capital Expenditure					
Canada	\$ 11,159,779	6,471,817	2,002,915	134,139	Nil
United States	\$ 3,270,212	6,458,511	432,835	132,000	Nil

As at December 31

Total Assets	\$ 36,634,932	38,190,768	2,707,075	556,330	Nil
Total Long term Liabilities	\$ 238,836	262,769	90,911	Nil	Nil
Share Capital	\$ 49,406,138	41,624,249	5,841,051	1,536,672	26,224
Deficit	\$ 8,710,088	6,635,439	4,063,776	1,196,402	1,133,790
Comprehensive Loss	\$ 4,903,762	342,201	20,214	7,540	324

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Forward Looking Statements

From time to time, we or our representatives have made or may make forward-looking statements, orally or in writing. Such forward-looking statements may be included in, but not limited to, press releases, oral statements made with the approval of an authorized executive officer or in various filings made by us with the Securities and Exchange Commission. Words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project or projected", or similar expressions are intended to identify "forward-looking statements". Such statements are qualified in their entirety by reference to and are accompanied by the above discussion of certain important factors that could cause actual results to differ materially from such forward-looking statements.

Management is currently unaware of any trends or conditions other than those mentioned elsewhere in this management's discussion and analysis that could have a material adverse effect on the Company's consolidated financial position, future results of operations, or liquidity. However, investors should also be aware of factors that could have a negative impact on the Company's prospects and the consistency of progress in the areas of revenue generation, liquidity, and generation of capital resources. These include: (i) variations in revenue, (ii) possible inability to attract investors for its equity securities or otherwise raise adequate funds from any source should the Company seek to do so, (iii) increased governmental regulation, (iv) increased competition, (v) unfavorable outcomes to litigation involving the Company or to which the Company may become a party in the future and, (vi) a very competitive and rapidly changing operating environment. The risks identified here are not all inclusive. New risk factors emerge from time to time and it is not possible for management to predict all of such risk factors, nor can it assess the impact of all such risk factors on the Company's business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results.

The financial information set forth in the following discussion should be read in conjunction with the consolidated financial statements of Kodiak Energy, Inc. included elsewhere herein.

Plan of Operation

During 2008, the Company has been active with substantial development on our Lucy, B.C. and Little Chicago projects in Canada and our New Mexico project in the U.S. In addition, the Company has initiated its CREnergy Alberta Lands project in Canada through its new subsidiary, Cougar Energy, Inc. (See Note 21). During the next twelve months, the Company plans to continue the development of its asset base as well as identify additional assets for addition to our overall land base.

All projects to date have been managed on schedule and within budget as the Company proves to be an effective operator in each jurisdiction in which it operates. In late 2007, a \$17.4 million private placement financing was completed under difficult market conditions and in December 2007, the Company's common shares were listed on the Toronto Venture Exchange in Canada on an aggressive timeline. In June, 2008, the Company completed an additional \$3,010,000 private placement financing. The Company expects to finance its future capital expenditure programs with either debt or equity financings and divestitures or a combination thereof. As of December 31, 2008, the Company has no secured debt. Current 2009 financing activities are described in Note 21 in the consolidated financial statements. A description of the Company's recent and planned activities for its properties is included under BUSINESS in PART I ITEM 1 DESCRIPTION OF BUSINESS.

The Corporation is a petroleum and natural gas exploration and development company whose primary objective is to identify, acquire and develop working interests in underdeveloped petroleum and natural gas prospects. We are focused on prospects located in Canada and the United States. The prospects we hold are generally under leases and include partial and full working interests. In some instances, Kodiak is the operator and in others it is obligated to perform certain seismic and exploratory well drilling for its interests. In some instances, additional seismic and drilling activity will result in additional working interests or is required to maintain the current percentage interests. The prospects are subject to varying royalties due to the state, province or federal governments and, in some instances, to the other royalty owners in the prospect.

The Corporation plans to engage in seismic data collection and well drilling programs on a number of prospects in which it has an interest or right to acquire percentage interests over the next two years. Drilling programs will be conducted where the seismic data supports the effort and expense and further drilling will be based on the results of initially drilled wells. A number of the prospects are located in the vicinity of petroleum and natural gas infrastructure, most importantly the ability to tie-in to existing or planned pipelines. This will be important in lowering the overall cost of development and selling any natural resources located in a prospect.

The Corporation currently has no petroleum or natural gas reserves or production.

Quarterly Financial Information

The following table sets out certain selected quarterly consolidated financial information of the Corporation for the two years 2008 and 2007. The financial results are not necessarily indicative of the results that may be expected for any other period.

	Quarter (Unaudited)	Net Sales or Total Revenue (US\$)	Income (Loss) from Continuing Operations (US\$)	Net Income (Loss) (US\$)
2008				
First Quarter		-	468,652	468,652
Second Quarter		46	(542,718)	(542,718)
Third Quarter		-	(531,056)	(531,056)
Fourth Quarter		1,019	(1,469,527)	(1,469,527)
2007				
First Quarter		385	(314,042)	(314,042)
Second Quarter		42	(647,052)	(647,052)
Third Quarter		(202)	(877,957)	(877,957)
Fourth Quarter		-	(1,083,612)	(1,083,612)

Financial Condition and Changes in Financial Condition

The Corporation's total assets have decreased to \$37,171,397 as at December 31, 2008 from \$38,190,768 at the end of 2007 but have significantly increased from \$2,707,075 at the end of 2006. This 2008 decrease is the net difference between the reduction in the value of the Company's Canadian assets due to a decline in the value of the Canadian dollar of approximately 20% (approximately \$ 5 million) from the end of 2007 to December 31, 2008 and its 2008 capital expenditures as well as write-downs of its unproved properties of approximately \$780,000. Had this currency revaluation loss not occurred, total assets would have increased by approximately \$4 million resulting from increased capital expenditure programs under taken by the Corporation, as well as the acquisition described under "Property Acquisition" and the financings described under "Liquidity and Capital Resources". Total assets consist of cash and other current assets of \$245,562 (December 31, 2007 - \$10,288,410); oil and gas properties and equipment of \$36,634,932 (December 31, 2007 - \$27,543,005); and other assets of \$290,903 (December 31, 2007 - \$359,353). Our total current liabilities were \$1,140,273 (December 31, 2007 - \$3,281,390) and consisted of accounts payable and accrued liabilities relating to capital activities and general and administrative costs incurred. December 31, 2007 current liabilities included \$978,835 relating to flow-through share premium liability arising from flow-through shares issued in 2007. Such liability was discharged in 2008 when related flow-through eligible expenditures were incurred. We had long term liabilities of \$39,262 (December 31, 2007 - \$110,955) and asset retirement obligations of \$199,574 (December 31, 2007 - \$151,814). Shareholders' equity amounted to \$35,792,288 (December 31, 2007 - \$34,646,609), net of an accumulated deficit of \$8,710,088 (2007 - \$6,635,439) and comprehensive loss of \$4,903,762 (December 31, 2007 - \$342,201).

Overall Operating Results (All dollar values are expressed in United States dollars unless otherwise stated):

In 2008, the Company had income during the evaluation period of \$1,065 (2007 - \$225; 2006 - \$27,134) and operating costs of \$9,645 (2007 - \$20,543; 2006 - \$ 13,572) relating to production from its Granlea, Alberta project. The well watered out and was deemed uneconomic. Other than that production, the Company remains in the exploratory and development stage.

Net Loss for the year ended December 31, 2008 totalled \$2,074,649 (2007 - \$2,571,663; 2006 - \$2,867,374) These losses include general and administrative expenses of \$2,206,015 (2007 - \$2,470,230; 2006 - \$1,377,489) which includes stock-based compensation expense amounting to \$674,226 (2007 - \$643,934; 2006 - \$69,169); interest expense of \$1,417 (2007 - \$94,083; 2006 - \$Nil); depletion depreciation and accretion including ceiling test impairment write-downs of \$ 923,097 (2007 - \$218,841; 2006 - \$1,507,021) and deferred income tax recoveries of \$978,835 - (2007 - \$147,000; 2006 - \$Nil).

General and administrative expenses include the cost of consulting personnel and others who provided investor relations services, public company costs for SEC reporting compliance, accounting, audit and legal fees and other general and administrative office expenses. General and administrative expense also includes stock-based compensation relating to the cost of stock options granted to directors, officers and other personnel of \$674,226 in 2007 (2007 - \$643,934; 2006 - \$69,169). General and administrative costs have been increasing as the scope of the company's activities have increased and we believe substantial amounts will continue to be spent on such costs in the near term as we progress with the evaluation of our oil and gas prospects. A significant increase in our shareholder base from 1,000 to approximately 7,000 shareholders during the past two years has also contributed to our increased general and administrative costs.

Interest expense for the year ended December 31, 2007 was \$1,417 (2007 - \$94,083; 2006 - \$ Nil). Most of the 2007 interest expense was incurred relative to the 9-1/2% Notes Payable that were outstanding during the second and third quarters.

Depletion, depreciation and accretion including ceiling test impairment write-downs includes the cost of depletion and depreciation relating to production from producing properties in 2006, ceiling test impairment write-downs and the cost of depreciation relating to office furniture and equipment. At December 31, 2008 and 2007, the carrying values of the Company's unproved properties in its Canadian and United States cost centers were assessed by management. Costs attributable to certain Canadian cost center properties were determined to be unsupportable and as a result, ceiling test write-downs of \$370,980 for 2008 (2007 - \$174,380; 2006 - \$1,419,946) relating to the Company's Canadian cost center were recorded and included in this expense. Costs attributable to certain United States cost center properties were determined to be unsupportable and as a result, ceiling test write-downs of \$498,867 for 2008 (2007 and 2006 - \$ nil) relating to the Company's United States cost center were recorded and included in this expense. The remaining capitalized costs relating to Canadian and United States unproved properties have been excluded from the depletable cost pools for ceiling test purposes.

Deferred income tax recoveries result from deferred tax credits related to Canadian flow-through eligible expenditures incurred in 2007 and 2008 with funds received as premiums on Canadian flow-through shares issued.

Capital Expenditures:

Capital Expenditures incurred by the Company during the years ended December 31, 2008, 2007 and 2006 are set out below.

	2008	2007	2006
Land acquisition and carrying costs	\$ 5,536,736	\$ 18,907,518	\$ 139,079
Geological and geophysical	4,827,123	6,390,003	173,872
Intangible drilling and completion	3,892,511	998,556	1,866,771
Tangible completion and facilities	140,151	23,002	202,285
Other fixed assets	33,470	58,850	53,744
Total Capital Costs Incurred	\$ 14,429,991	\$ 26,377,929	\$ 2,435,751

2007 land acquisition and carrying costs includes \$11,163,205 relative to the acquisition of Thunder's interest in the EL 413 Little Chicago property in the Northwest Territories of Canada and \$7,400,000 relative to the acquisition of Thunder's New Mexico interests. See "Property Acquisition". Geological and geophysical costs include the 2007-08 and 2006-07 portions of the cost of the seismic programs carried out in those years on the EL 413 Little Chicago project.

On September 28, 2007 the Corporation purchased from Thunder and CIMA under the terms of the Thunder Agreement, 100% of Thunder's interest in EL 413 and 100% of CIMA's interest in the Sophia Prospect in consideration for \$1 million cash and 7 million Kodiak Shares valued at \$14,000,000 (\$2.00 per Kodiak Share) and a commitment to issue in the future an additional 11,000,000 Kodiak Shares upon the achievement of certain milestones in connection with the acquired properties. For accounting purposes, the 7 million common shares issued to Thunder were recorded at a value of \$17,500,000 or \$2.50 per common share, being the same price per share at which the September 28, 2007 private placement financing of 2,756,000 non-flow-through common shares were issued. (See Notes 2 and 12). Of the cash consideration, \$100,000 was paid as a deposit on July 11, 2007, and the balance of \$900,000 was paid at closing on September 28, 2007. Of the common share consideration, 7 million shares were issued to Thunder at closing on September 28, 2007. An additional 6 million shares were committed to be issued to Thunder if, as, and when certain performance milestones are achieved, including 2 million shares upon completion of a 2007/08 seismic program by June 30, 2008, which shares were issued during the year (See Note 12 to the consolidated financial statements); 1 million shares upon the spudding of a shallow depth well (1,500 meters TD) by March 31, 2009; 1.5 million shares upon the spudding of a medium depth well (2,500 meters TD) before lease expiry in 2009; and 1.5 million shares upon conversion of any part of EL 413 to a Significant Discovery Lease. If, as a result of the Corporation's exploration and development activities on the acquired properties, reserves in place exceed 100 million barrels, then, for each excess 10 million barrels in place, 100,000 additional shares could be issued, up to a maximum of 5 million additional shares.

Liquidity and Capital Resources:

Since inception to December 31, 2008, the company's operations have been financed from the sale of securities and loans from shareholders. Working capital decreased from \$7,007,020 as at December 31, 2007 to a working capital deficiency of \$894,711 as at December 31, 2008.

During 2008, the Company raised \$3,010,000 and in 2007 it raised \$33,303,427, each net of share issue costs, in private placement financing proceeds. These financings enabled the Company to finance its on-going capital expenditures and general and administrative expenses. The Corporation currently has no long term debt obligations. The Company is in the process of raising additional financing in its Cougar Energy, Inc. subsidiary that will provide financing to carry out its business plan through 2009. See Subsequent Event Note 21 to the consolidated financial statements. Such additional financing will be required for the company's 2009 planned activities. In the event that additional capital is raised at some time in the future, existing shareholders will experience dilution of their interest in the Company, or the Company's interest in the subsidiary.

There is uncertainty that the Company will continue as a going concern, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has not generated positive cash flow since inception and has incurred operating losses and will need additional working capital for its future planned activities. The financings described above, if completed, will provide sufficient working capital to fund the Company's operations until mid 2009 when additional financing will be required until sufficient cash flow is being obtained from the Company's properties that comprise its near term capital programs. The success of these programs is yet to be determined. These conditions raise doubt about the Company's ability to continue as a going concern. Continuation of the Company as a going concern is dependent upon obtaining sufficient working capital to finance ongoing operations. The Company's strategy to address this uncertainty, includes additional equity and debt financing; however, there are no assurances that any such financings can be obtained on favorable terms, if at all. These financial statements do not reflect the adjustments or reclassification of assets and liabilities that would be necessary if the Company were unable to continue its operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes petroleum and natural gas and related hydrocarbon prices, foreign currency exchange rates and interest rates.

Petroleum and Natural gas and Related Hydrocarbon Prices

The Corporation currently has no petroleum and natural gas and related hydrocarbon reserves or production so the Corporation therefore has no current exposure related to the instability of prices of such commodities. However, the prices of these commodities are unstable and are subject to fluctuation, due to factors outside of the Corporation's control, including war, weather, the availability of alternate fuel and transportation interruption and any material decline in these commodity prices could have an adverse impact on the economic viability of the Corporation's exploration projects.

Foreign Currency Exchange Rates

The Corporation, operating in both the United States and Canada, faces exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and could materially impact the Corporation's financial results in the future. To the extent revenues and expenditures denominated in other currencies vary from their U. S. dollar equivalents, the Corporation is exposed to exchange rate risk. The Corporation can also be exposed to the extent revenues in one currency do not equal expenditures in the same currency. The Corporation is not currently using exchange rate derivatives to manage exchange rate risks.

Interest Rates

The Corporation's interest income and interest expense, in part, is sensitive to the general level of interest rates in North America. The Corporation is not currently using interest rate derivatives to manage interest rate risks.

ITEM 8. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
OPINION ON THE AUDIT OVER INTERNAL CONTROLS

The Board of Directors and Stockholders

Kodiak Energy Inc.:

We have audited Kodiak Energy Inc.'s (Kodiak) internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Kodiak's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting (Item 9Ac). Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit includes performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The following deficiency which we believe to be a material weakness has been identified and included in management's assessment:

- Kodiak did not maintain effective segregation of duties over automated and manual transactions leading to ineffective monitoring, supervision and reviews. This material weakness affects all significant accounts.

Specific areas affected by the deficiency mentioned above are as follows:

- The Company's policies and procedures did not provide for appropriate segregation of duties of certain employees in the accounting area. Also, the Company did not restrict access to financially significant systems and did not monitor access to those systems, which resulted in conflicting access and/or inappropriate segregation of duties.
- The Company did not maintain effective policies and procedures, or personnel with sufficient technical expertise, to ensure proper accounting and disclosure for income taxes. Specifically, the Company's policies and procedures did not provide for appropriate segregation of duties or supervisory review of deferred taxes to ensure that they were properly reflected and disclosed in the Company's financial statements. This deficiency results in a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements would not be prevented or detected on a timely basis.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2008 financial statements, and this report does not affect our report dated March 26, 2009 on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Kodiak has not maintained effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets, statements of operations, stockholder's equity and cash flows of Kodiak and our report dated March 26, 2009 expressed an unqualified opinion modified for going concern uncertainties.

Yours truly,

/s/ MEYERS NORRIS PENNY LLP

Chartered Accountants
Calgary, Canada
March 26, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
OPINION ON THE AUDIT OF THE FINANCIAL STATEMENTS

To the Board of Directors and the Stockholders of
Kodiak Energy, Inc.

We have audited the accompanying consolidated balance sheets of Kodiak Energy, Inc. (The "Company and subsidiaries") as of December 31, 2008 and 2007 and the consolidated statements of operations, stockholder's equity and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and subsidiaries as of December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2008 in accordance with accounting principles generally accepted in the United States of America.

As discussed more fully in Note 2, the consolidated financial statements as of and for the year ended December 31, 2007 have been restated to reflect changes resulting from a correction of the treatment of flow through shares issued during the year ended December 31, 2007 and a change to the value ascribed to shares issued by the Company for the acquisition of certain petroleum and natural gas assets of Thunder River Energy.

As discussed in Note 1 to the consolidated financial statements, the Company's ability to continue as a going concern is dependent on obtaining sufficient working capital to fund future operations. Management's plan in regard to these matters is also described in Note 1. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ MEYERS NORRIS PENNY LLP

Chartered Accountants
Calgary, Canada
March 26, 2009

KODIAK ENERGY, INC.
Consolidated Balance Sheets
(Exploration Stage Company Going Concern Uncertainty – Note 1)

	December 31, 2008	December 31, 2007 (Restated – Note 2)
Assets		
Current Assets:		
Cash and Short Term Deposits	\$ 75,175	\$ 8,983,682
Accounts Receivable (Note 5)	64,325	1,214,253
Prepaid Expenses and Deposits (Note 6)	106,062	90,475
	<u>245,562</u>	<u>10,288,410</u>
Other Assets (Note 7)	290,903	359,353
Capital Assets (Note 8):		
Unproved Oil & Gas Properties Excluded From Amortization – Based On Full Cost Accounting	36,559,367	27,467,351
Furniture and Fixtures, net	75,565	75,654
	<u>36,634,932</u>	<u>27,543,005</u>
Total Assets	\$ 37,171,397	\$ 38,190,768
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts Payable	\$ 984,590	\$ 1,547,273
Accrued Liabilities	122,842	755,282
Note Payable to Related Party (Note 9)	32,841	-
Premium on Flow- through Shares Issued (Note 12)	-	978,835
	<u>1,140,273</u>	<u>3,281,390</u>
Long-term Liabilities (Note 10)	39,262	110,955
Asset Retirement Obligations (Note 11)	199,574	151,814
Commitments and Contingencies (Note 16)	1,379,109	3,544,159
Stockholders' Equity		
Share Capital (Note 13):		
Authorized 300,000,000 Common Shares Par Value \$.001 Each; 10,000,000 (2007 – Nil) Preferred Shares		
Issued and Outstanding 110,023,998 (2007 – 106,692,498) Common Shares	110,024	106,692
Additional Paid in Capital	49,296,114	41,517,557
Other Comprehensive Loss	(4,903,762)	(342,201)
Deficit Accumulated During The Exploration Stage	(8,710,088)	(6,635,439)
	<u>35,792,288</u>	<u>34,646,609</u>
Total Liabilities and Equity	\$ 37,171,397	\$ 38,190,768

Subsequent Event (Note 21)

(See accompanying notes to the consolidated financial statements)

Consolidated Statements of Stockholders' Equity (Deficiency)
For the Period From Date of Inception, April 7, 2004 to December 31, 2008
(Exploration Stage Company Going Concern Uncertainty – Note 1)

	Number of Common Shares	Amount	Additional Paid in Capital (Restated – Note 2)	Deficit Accumulated During the Development Stage (Restated – Note 2)	Accumulated Other Comprehensive Loss (Restated – Note 2)	Shares Issuable (Restated – Note 2)	Total Shareholders' Equity (Deficit) (Restated – Note 2)
Pre Bankruptcy	324,028	\$ 324	\$ 1,813,853	\$ (1,814,176)	\$ -	\$ -	
Fresh Start Adjustments			(1,813,853)	1,814,176	(324)	-	-
Balance at April 7, 2004	324,028	324	-	-	(324)	-	-
Issuance of common stock	150,000	150	24,850	-	-	-	25,000
Contributions to capital			900	-	-	-	900
Net Loss			-	(62,613)	-	-	(62,613)
Balance at December 31, 2004	474,028	\$ 474	\$ 25,750	\$ (62,613)	\$ (324)	\$ -	\$ (36,713)
Net Loss	-	-	-	(1,133,790)	-	-	(1,133,790)
Foreign currency translation	-	-	-	-	(7,216)	-	(7,216)
Total comprehensive loss				(1,133,790)	(7,216)	-	(1,141,006)
Beneficial Debt Conversion			808,811	-	-	-	808,811
Shares to be Issued	1		-	-	-	773,637	773,637
Share Subscriptions Receivable	-	-	-	-	-	(72,000)	(72,000)
Balance at December 31, 2005	474,028	\$ 474	\$ 834,561	\$ (1,196,402)	\$ (7,540)	\$ 701,637	\$ 332,729
Net Loss	-	-	-	(2,867,374)	-	-	(2,867,374)
Foreign currency translation	-	-	-	-	(12,675)	-	(12,675)
Total comprehensive loss				(2,867,374)	(12,675)	-	(2,880,049)
Beneficial Debt Conversion			808,811	-	-	-	808,811
Issuance of common stock	89,472,440	89,472	4,309,047	-	-	(701,637)	3,696,882
Shares to be Issued			-	-	-	538,328	538,328
Stock-based Compensation	-	-	69,169	-	-	-	69,169
Balance at December 31, 2006	89,946,468	\$ 89,946	\$ 5,212,777	\$ (4,063,776)	\$ (20,214)	\$ 538,328	\$ 1,757,061
Net Loss	-	-	-	(2,571,663)	-	-	(2,571,663)
Foreign currency translation	-	-	-	-	(321,987)	-	(321,987)
Total comprehensive loss				(2,571,663)	(321,987)	-	(2,893,650)
Issuance of common stock	16,746,030	16,746	35,660,846	-	-	(538,328)	35,139,264
Stock-based Compensation	-	-	643,934	-	-	-	643,934
Balance at December 31, 2007	106,692,498	\$ 106,692	\$ 41,517,557	\$ (6,635,439)	\$ (342,201)	\$ -	\$ 34,646,609
Net Loss	-	-	-	(2,074,649)	-	-	(2,074,649)
Foreign currency translation	-	-	-	-	(4,561,561)	-	(4,561,561)
Total comprehensive loss				(2,074,649)	(4,561,561)	-	(6,636,210)
Issuance of common stock	13,331,500	3,332	7,104,331	-	-	-	7,107,663
Stock-based Compensation	-	-	674,226	-	-	-	674,226
Balance at December 31, 2008	110,023,998	\$ 110,024	\$ 49,296,114	\$ (8,710,088)	\$ (4,903,762)	\$ -	\$ 35,792,288

(See accompanying notes to the consolidated financial statements)

KODIAK ENERGY, INC.
Consolidated Statements of Operations
(Exploration Stage Company Going Concern Uncertainty – Note 1)

	Year Ended December 31, 2008	Year Ended December 31, 2007 (Restated – Note 2)	Year Ended December 31, 2006	Cumulative Since Inception Apr. 7, 2004 to December 31, 2008
INCOME DURING THE EVALUATION PERIOD	\$ 1,065	\$ 225	27,134	\$ 28,424
EXPENSES				
Operating	9,646	20,543	13,572	43,761
General and Administrative	2,206,015	2,470,230	1,377,489	6,077,590
Stock-based Investor Relations	-	-	-	337,500
Depletion, Depreciation and Accretion including Ceiling Test Impairment Write-downs	923,097	218,841	1,507,021	2,650,194
Interest	1,417	94,083	-	904,311
	3,140,175	2,803,697	2,898,082	10,013,356
Loss Before Other Expenses (Income)	3,139,110	2,803,472	2,870,948	9,984,932
Other Expenses (Income)				
Loss from valuation adjustment	-	-	-	25,000
Loss on disposition of assets	4,145	-	-	4,145
Interest Income	(89,771)	(84,809)	(3,574)	(178,154)
	(85,626)	(84,809)	(3,574)	(149,009)
Loss before income taxes	3,053,484	2,718,663	2,867,374	9,835,923
Recovery of Deferred Income Taxes	(978,835)	(147,000)	-	(1,125,835)
NET LOSS	\$ 2,074,649	\$ 2,571,663	\$ 2,867,374	\$ 8,710,088
Basic and diluted loss per share (Note 15)	\$ 0.02	\$ 0.03	\$ 0.04	

(See accompanying notes to the consolidated financial statements)

KODIAK ENERGY, INC.
Consolidated Statements of Cash Flows
(Exploration Stage Company Going Concern Uncertainty – Note 1)

	Year Ended December 31, 2008	Year Ended December 31, 2007 (Restated – Note 2)	Year Ended December 31, 2006	Cumulative Since Inception April 7, 2004 to December 31, 2008
Operating Activities:				
NET LOSS	\$ (2,074,649)	\$ (2,571,663)	\$ (2,867,374)	\$ (8,710,088)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depletion, Depreciation and Accretion including Ceiling Test Impairment Write-downs	923,097	218,841	1,507,021	2,650,194
Interest Expense	-	-	-	808,811
Stock-Based Investor Relations Expense	-	-	337,500	337,500
Stock-Based Compensation	674,226	643,934	69,169	1,387,329
Recovery of Deferred Income Taxes	(978,835)	(147,000)	-	(1,125,835)
Bad Debts Written off	-	11,908	-	11,908
Contributions to Capital	-	-	-	900
Non-Cash Working Capital Changes (Note 20)	772,037	(660,101)	44,929	242,714
Net Cash Used In Operating Activities	(684,124)	(2,504,081)	(908,755)	(4,396,567)
Investment Activities:				
Additions to Capital Assets	(6,427,666)	(7,508,553)	(2,636,668)	(16,787,666)
Decrease (Increase) in Other Assets	68,450	(309,493)	(29,611)	(290,903)
Net Cash Used In Investment Activities	(6,359,216)	(7,818,046)	(2,666,279)	(17,078,569)
Financing Activities:				
Shares Issued and Issuable	2,768,087	16,500,995	3,845,404	23,847,312
Proceeds from note payable	-	3,300,000	-	3,300,000
Repayment of note payable	-	(732,500)	-	(732,500)
(Decrease) Increase in Long Term Liabilities	(71,693)	110,955	-	39,262
Cash Provided By Financing Activities	2,696,394	19,179,450	3,845,404	26,454,074
Foreign Currency Translation	(4,561,561)	321,987	(12,675)	(4,903,762)
Net Cash (Decrease) Increase	(8,908,507)	8,535,336	257,695	75,175
Cash beginning of year	8,983,682	448,346	190,651	-
Cash end of year	\$ 75,175	\$ 8,983,682	448,346	75,175
Cash is comprised of:				
Balances with banks	\$ 75,175	\$ 1,238,796	448,346	75,175
Short term deposits	\$ -	\$ 7,744,886	-	-
	\$ 75,175	\$ 8,983,682	448,346	75,175

(See accompanying notes to the consolidated financial statements)

1. ORGANIZATION, BASIS OF PRESENTATION AND GOING CONCERN UNCERTAINTY

The accompanying consolidated financial statements include the accounts of Kodiak Energy Inc. and subsidiaries (collectively "Kodiak", the "Company", "we", "us" or "our") as at December 31, 2008 and December 31, 2007 and for the cumulative period from April 7, 2004 (inception) until December 31, 2008, and are presented in accordance with generally accepted accounting principles in the United States of America ("U. S. GAAP").

The Company was incorporated under the laws of the state of Delaware on December 15, 1999 under the name "Island Critical Care, Corp." with authorized common stock of 50,000,000 shares with a par value of \$0.001. On December 30, 2004 the name was changed to "Kodiak Energy, Inc." and the authorized common stock was increased to 100,000,000 shares with the same par value. On January 17, 2005 the Company affected a reverse split of 100 outstanding shares for one share. These consolidated financial statements have been prepared showing post split shares from inception. The Company was engaged in the development of the manufacture and distribution of medical instrumentation and it became inactive after the bankruptcy outlined below. During 2006, the Company increased its authorized capital to 300,000,000 common shares. During 2008, the Company increased its authorized capital to include 10,000,000 preferred shares.

The Company is in the exploration stage and its efforts have been principally devoted to the raising of capital, organizational infrastructure development and the acquisition of oil and gas properties for the purpose of future extraction of resources.

Bankruptcy

On February 5, 2003 the Company filed a petition for bankruptcy in the District of Prince Edward Island, Division No. 01-Prince Edward Island Court No. 1713, Estate No. 51-104460, titled "Island Critical Care Corp.". The Company emerged from bankruptcy pursuant to a Bankruptcy Court Order entered on April 7, 2004 with no remaining assets or liabilities and adopted Fresh Start Accounting.

The terms of the bankruptcy settlement included the authorization for the issuance of 150,000 post split restricted common shares in exchange for \$25,000, which was paid into the bankruptcy court by the recipient of the shares.

The Company emerged from bankruptcy as an exploration stage company.

Going Concern Uncertainty

These consolidated financial statements have been prepared assuming the Company will continue as a going concern, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has not generated positive cash flow since inception and has incurred operating losses and will need additional working capital for its future planned activities. The financing described in Note 20 will provide sufficient working capital to fund the Company's operations until mid 2009 when additional financing will be required unless sufficient cash flow is being obtained from the Company's properties that comprise its near term capital programs. The success of these programs is yet to be determined. These conditions raise doubt about the Company's ability to continue as a going concern. Continuation of the Company as a going concern is dependent upon obtaining sufficient working capital to finance ongoing operations. The Company's strategy to address this uncertainty, includes additional equity and debt financing; however, there are no assurances that any such financings can be obtained on favorable terms, if at all. These financial statements do not reflect the adjustments or reclassification of assets and liabilities that would be necessary if the Company were unable to continue its operations.

2. RESTATEMENT

In March, 2009, we determined that it was necessary to restate our financial statements as at December 31, 2007. The purpose of the restatement is to correct an error in measurement and an error in the application of US GAAP in the course of recording the following 2007 transactions:

Issue of common shares of the Company in consideration for the acquisition of properties.

On September 28, 2007, the Company issued to Thunder River Energy, Inc. ("Thunder") 7,000,000 common shares of the Company as partial consideration for the acquisition of properties. The shares issued were recorded at a negotiated price per share of US\$2.00 or \$14,000,000. In the course of a review by the Securities and Exchange Commission ("SEC") of the Company's Form 10-Q for the Fiscal Quarter Ended September 30, 2007 and Form 10-K for the Fiscal Year Ended December 31, 2007, the SEC questioned the measurement date and the \$2.00 per share value at which the transaction was recorded. Following an exchange of correspondence and discussions between the Company and the SEC during 2008 and 2009 regarding this issue, the Company has determined that the acquisition should have been recorded at a value per share of \$2.50 or \$17,500,000, which represents the fair value of exactly comparable common shares issued at the same \$2.50 price per share as a private placement financing for 2,756,000 common shares which closed on September 28, 2007, the same date that the Thunder transaction closed. Management believes that the \$2.50 Kodiak share price to be the most reliable measurement for the fair value of the shares issued and that September 28, 2008 to be the appropriate measurement date because that was the date when the parties' closing conditions were satisfied and Thunder's (the counterparty's) performance was complete. The result of the restatement adjustment was an increase of \$3,500,000 in the recorded acquisition cost and related issuance of common shares.

Issue of flow-through common shares of the Company at a premium.

On September 28, 2007, October 3, 2007 and October 30, 2007, the Company issued on a Canadian flow-through share basis 2,251,670 common shares of the Company at US\$3.00 per share or \$6,755,010, which amount represented a premium of \$.50 per share or \$1,125,835 when compared to other non-flow through shares issued at the same time at \$2.50 per share. At the time of the transactions, the issues of the flow through common shares were recorded as appropriate credits to par value of common shares and additional paid in capital. Following recent discussions with the Company's tax consultant, the Company has determined that the \$1,125,835 premium on flow-through common shares issued should have, in accordance with US GAAP, been recorded as a liability at the time the shares were issued rather than as additional paid in capital. A \$147,000 portion of the premium liability discharged during the period October 1, 2007 to December 31, 2007, when flow-through eligible expenditures amounting to \$879,922 were incurred by the Company, was recognized as a reduction of deferred tax expense.

Effects of the restatement by line item follow:

Consolidated Balance Sheets

	December 31, 2007 As Previously Reported	Impact of Changes	December 31, 2007 Restated
Cash and Short Term Deposits	\$ 8,983,682	-	\$ 8,983,682
Accounts Receivable	1,214,253	-	1,214,253
Prepaid Expenses and Deposits	90,475	-	90,475
Total current assets	10,288,410	-	10,288,410
Other Assets	359,353	-	359,353
Unproved Oil and Gas Properties	23,967,351	3,500,000	27,467,351
Furniture and Fixtures	75,654	-	75,654
Total Property, Plant and Equipment	24,043,005	3,500,000	27,543,005
Total Assets	\$ 34,690,768	3,500,000	38,190,768
Accounts Payable	\$ 1,547,273	-	1,547,273
Accrued Liabilities	755,282	-	755,282
Premium on Flow-through Shares Issued	-	978,835	978,835
Total current liabilities	2,302,555	978,835	3,281,390
Long Term Liabilities (Note 9)	110,955	-	110,955
Asset Retirement Obligations	151,814	-	151,814
Deferred Income Taxes (Note 11)	57,000	(57,000)	-
Share Capital	106,692	-	106,692
Additional Paid in Capital	39,143,392	2,374,165	41,517,557
Other Comprehensive Loss	(342,201)	-	(342,201)
Deficit Accumulated during the Exploration Stage	(6,839,439)	204,000	(6,635,439)
Total Shareholders' Equity	32,068,444	2,578,165	34,646,609
Total Liabilities and Shareholders' Equity	\$ 34,690,768	3,500,000	38,190,768

Consolidated Statement of Operations

	Year Ended December 31, 2007 As Previously Reported	Impact of Changes	Year Ended December 31, 2007 As Restated
Income During the Evaluation Period	\$ 225	\$ -	\$ 225
Expenses:			
Operating	20,543	-	20,543
General and Administrative	2,470,230	-	2,470,230
Stock-based Investor Relations	-	-	-
Depletion, Depreciation and Accretion including Ceiling Test Impairment Writedowns	218,841	-	218,841
Interest	94,083	-	94,083
	2,803,697	-	2,803,697
Loss Before Other Income	2,803,472	-	2,803,472
Interest Income	(84,809)	-	(84,809)
Loss before Income Taxes	(2,718,663)	-	(2,718,663)
Provision (Recovery) of Deferred Taxes	57,000	(204,000)	(147,000)
Net Loss	\$ (2,775,663)	\$ (204,000)	\$ (2,571,663)
Basic & Diluted Loss per Share	\$ (0.03)	\$ -	\$ (0.03)

Consolidated Statement of Shareholders' Equity Period April 7, 2004 (Date of Inception) to December 31, 2007

	Par Value	Additional Paid in Capital	Deficit Accumulated during the Development Stage	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance December 31, 2007 as Previously Reported	106,692	39,143,392	\$ (6,839,439)	\$ (342,201)	\$ 32,068,444
Impact of Changes	-	2,374,165	204,000	-	2,578,165
Balance December 31, 2007 as Restated	106,692	41,517,560	\$ (6,635,439)	\$ (342,201)	\$ 34,646,609

Consolidated Statement of Cash Flow

	Year Ended December 31, 2007 As Previously Reported	Impact of Changes	Year Ended December 31, 2007 As Restated
Operating Activities			
Net Loss	\$ (2,775,663)	\$ 204,000	\$ (2,571,663)
Depletion, Depreciation and Accretion including Ceiling Test Impairment Write-downs	218,841	-	218,841
Stock-Based Compensation	643,994	-	643,994
Provision for Deferred Income Taxes	57,000	(204,000)	(147,000)
Bad Debts Written Off	11,908	-	-
Non-Cash Working Capital Changes	(660,101)	-	(660,101)
Net Cash Used in Operating Activities	(2,504,081)	-	(2,504,081)
Investing Activities			
Additions to Capital Assets	(7,508,553)	-	(7,508,553)
Additions to Other Assets	(309,493)	-	(309,493)
Cash Used in Investing Activities	(7,818,046)	-	(7,818,046)
Financing Activities			
Shares Issued and Issuable	19,068,495	-	19,068,495
Long Term Liabilities	110,955	-	110,955
Cash Provided by Financing Activities	19,179,450	-	19,179,450
Foreign Currency Translation	(321,987)	-	(321,987)
Net Cash Increase	8,535,336	-	8,535,336
Cash Beginning of Year	448,346	-	448,346
Cash End of Year	\$ 8,983,682	\$ -	\$ 8,983,682

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 1438821 Alberta Ltd., Kodiak Petroleum ULC, Kodiak Petroleum (Montana), Inc., and Kodiak Petroleum (Utah), Inc. In British Columbia, Canada, the Company operates under the assumed name of Kodiak Bear Energy, Inc. All intercompany accounts and transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U. S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on the knowledge of current events and actions the Company may undertake in the future, they may ultimately differ from actual results. Included in these estimates are assumptions about allowances for valuation of deferred tax assets. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The provision for asset retirement obligation, depletion, as well as management's impairment assessment on its oil and gas properties and other long lived assets are based on estimates and by their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in these estimates, in future periods, could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Joint Venture Operations

In instances where the Company's oil and gas activities are conducted jointly with others, the Company's accounts reflect only its proportionate interest in such activities.

Cash and Short-term Deposits

Cash consists of balances with financial institutions and investments in money market instruments, which have terms to maturity of three months or less at time of purchase.

Oil and Gas Properties

Under the full cost method of accounting for oil and gas operations all costs associated with the exploration for and development of oil and gas reserves are capitalized on a country-by-country basis. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, production equipment and overhead charges directly related to acquisition, exploration and development activities. Proceeds from the sale of oil and gas properties are applied against capitalized costs with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and depreciation in a particular country, in which case a gain or loss on disposal is recorded.

Capitalized costs within each country are depleted and depreciated on the unit-of-production method based on the estimated gross proved reserves as determined by independent petroleum engineers. Oil and gas reserves and production are converted into equivalent units on the basis of 6,000 cubic feet of natural gas to one barrel of oil. Depletion and depreciation is calculated using the capitalized costs, including estimated asset retirement costs, plus the estimated future costs to be incurred in developing proved reserves, net of estimated salvage value.

An impairment loss is recognized in net earnings if the carrying amount of a cost center exceeds the "cost center ceiling". The carrying amount of the cost center includes the capitalized costs of proved oil and natural gas properties, net of accumulated depletion and deferred income taxes and the cost center ceiling is the present value of the estimated future net cash flows, using yearend unescalated prices, from proved oil and natural gas reserves discounted at ten percent (net of related tax effects) plus the lower of cost or fair value of unproved properties included in the costs being amortized (and/or the costs of unproved properties that have been subject to a separate impairment test and contain no probable reserves).

Costs of acquiring and evaluating unproved properties and major development projects are initially excluded from the depletion and depreciation calculation until it is determined whether or not proved reserves can be assigned to such properties. Costs of unproved properties and major development projects are transferred to depletable costs based on the percentage of reserves assigned to each project over the expected total reserves when the project was initiated. These costs are assessed periodically to ascertain whether impairment has occurred.

Property and Equipment

Property and equipment is recorded at cost. Depreciation of assets is provided by use of a declining balance method over the estimated useful lives of the related assets. Expenditures for replacements, renewals, and betterments are capitalized. Maintenance and repairs are charged to operations as incurred.

Asset Retirement Obligations

The Company recognizes a liability for asset retirement obligations in the period in which they are incurred and in which a reasonable estimate of such costs can be made. Asset retirement obligations include those legal obligations where the Company will be required to retire tangible long-lived assets such as producing well sites. The asset retirement obligation is measured at fair value and recorded as a liability and capitalized as part of the cost of the related long-lived asset as an asset retirement cost. The asset retirement obligation accretes until the time the asset retirement obligation is expected to settle while the asset retirement costs included in oil and gas properties are amortized using the unit-of-production method.

Amortization of asset retirement costs and accretion of the asset retirement obligation are included in depletion, depreciation and accretion. Actual asset retirement costs are recorded against the obligation when incurred. Any difference between the recorded asset retirement obligations and the actual retirement costs incurred is recorded in depletion, depreciation and accretion.

Environmental

Oil and gas activities are subject to extensive federal, provincial, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites.

Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a non-capital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. To date, the Company has not recognized any environmental obligations as production has been insignificant and we have not actively produced since October, 2006.

Income Taxes

Income taxes are determined using assets and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

Per FASB Interpretation (FIN 48) under the liability method, it is the Company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. At December 31, 2008, the Company believes it has appropriately accounted for any unrecognized tax benefits. To the extent the Company prevails in matters for which a liability for an unrecognized benefit is established or is required to pay amounts in excess of the liability, the Company's effective tax rate in a given financial statement period may be affected. Interest and penalties associated with the Company's tax positions are recorded as Interest Expense.

Flow-through Shares

The Company finances a portion of its Canadian exploration programs with flow-through common shares issued pursuant to certain provisions of the Income Tax Act (Canada) (the "Act"). Under the Act, where the proceeds are used for eligible expenditures, the related income tax deductions may be renounced to subscribers. Accordingly, the tax credits associated with the renunciation of such expenditures are recorded as an increase to deferred income tax liabilities. Any premium received from subscribers on the sale of such flow-through common shares is recorded initially as a current liability and then discharged and recognized as a reduction of deferred income taxes when the flow-through eligible expenditures relating to the flow-through premium are incurred by the Company.

Stock-Based Compensation

The Company records compensation expense for share based payments using the fair value method pursuant to Financial Accounting Standards Board Statement ("FASB") No. 123R. The fair value of share-based compensation to employees will be determined using an option pricing model at the time of grant. Fair value for common shares issued for goods or services rendered by non-employees are measured based on the fair value of the goods or services received. Stock-based compensation expense is included in general and administrative expense with a corresponding increase to Additional Paid in Capital. Upon the exercise of the stock options, consideration paid together with the previously recognized Additional Paid in Capital is recorded as an increase in share capital.

Foreign Currency Translation

The functional currency for the Company's foreign operations is the Canadian dollar. The translation from the applicable foreign currencies to U.S. dollars is performed for asset and liability accounts using current exchange rates in effect at the balance sheet date, while income, expenses and cash flows are translated at the average exchange rates for the period. The resulting translation adjustments are recorded as a component of other comprehensive loss. Gains or losses resulting from foreign currency transactions are included in other income/expenses.

Revenue Recognition

Revenues from the sale of petroleum and natural gas are recorded when title passes from the Company to its petroleum and/or natural gas purchaser and collectability is reasonably assured. The Company will begin recording revenue once it is determined there are proved reserves resulting in production.

Loss Per Common Share

Basic loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted loss per common share is computed after giving effect to all dilutive potential common shares that were outstanding during the period. Dilutive potential common shares consist of incremental shares issuable upon exercise of stock options and warrants, contingent stock, conversion of debentures and preferred stock outstanding. The dilutive effect of potential common shares is not considered in the EPS calculations for these periods if the impact would have been anti-dilutive.

4. RECENT ACCOUNTING PRONOUNCEMENTS

FASB Interpretation (FIN) 48, "Accounting for Uncertainty in Income taxes – an interpretation of FASB Statement No. 109 (FIN 48). In July 2006, the FASB issued FIN 48, which provides guidance on accounting for income tax positions about which the Company has concluded there is a level of uncertainty with respect to the recognition of a tax benefit in the Company's financial statements. FIN 48 describes the minimum recognition threshold a tax position is required to meet. Tax positions are defined very broadly and include not only tax deductions and credits but also decisions not to file in a particular jurisdiction, as well as the taxability of certain transactions.

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. There was not a material impact on the Company's consolidated financial position and results of operations as a result of the adoption of the provisions of FIN 48. At December 31, 2008, the Company had no significant unrecognized tax positions and the Company does not believe there will be any material changes in its unrecognized tax positions over the next twelve months.

The Company's tax positions are subject to examination by tax authorities. As at December 31, 2008, the Company's tax year 2008 is open for United States – Federal and State jurisdictions and Canada – Federal and Provincial jurisdictions.

Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements" (SFAS No. 157). In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No 157 does not require any new fair value measurements. However, in some cases, the application of SFAS No. 157 may change the Company's current practice for measuring and disclosing fair values under other accounting pronouncements that require or permit fair value measurements. For the Company, SFAS No. 157 will be effective as of January 1, 2008 and must be applied prospectively except in certain cases. The Company has determined there was no significant impact on its consolidated results of operations, cash flows or financial position on adopting SFAS 157.

SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS No. 159). In February 2007, the FASB issued SFAS No. 159, which permits entities to choose to measure many new financial instruments and certain other items at fair value. For the Company, SFAS No. 159 will be effective as of January 1, 2008 and will have no impact on amounts presented for periods prior to the effective date. The Company has chosen not to measure items subject to SFAS No. 159 at fair value.

The following new accounting standards have been issued, but have not yet been adopted by the Company:

In November, 2007, FASB issued SFAS No. 141(R), "Business Combination". FAS 141(R) will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. FAS 141(R) is effective for both public and private companies for fiscal years beginning on or after December 15, 2008. FAS 141(R) will be applied prospectively. Early adoption is prohibited. The Company has not yet determined this pronouncement's potential impact.

In December 2007, FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51" (SFAS 160). This statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. Changes in a parent's ownership interest that result in deconsolidation of a subsidiary will result in the recognition of a gain or loss in net income when the subsidiary is deconsolidated. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interests. The statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. This statement will not have a material effect on our consolidated financial statements.

In September 2008, the EITF reached a consensus for exposure on Issue No. 08-6, "Equity Method Investment Accounting Considerations". This issue addresses the accounting for equity method investments as a result of the accounting changes prescribed by SFAS 141(R) and SFAS 160. The issue includes clarification on the following: (a) transaction costs should be included in the initial carrying value of the equity method investment, (b) an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment need only be performed as part of any other-than-temporary impairment evaluation of the equity method investment as a whole and does not need to be performed annually, (c) the equity method investee's issuance of shares should be accounted for as the sale of a proportionate share of the investment, which may result in a gain or loss in income, and (d) a gain or loss should not be recognized when changing the method of accounting for an investment from the equity method to the cost method. This issue will be effective for fiscal years beginning on January 1, 2009. The impact of this issue will not have a material effect on our consolidated financial statements.

In May 2008, FASB issued SFAS No. 162 ("SFAS No. 162"), "The Hierarchy of Generally Accepted Accounting Principles". SFAS No. 162 identifies the sources of account principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States. SFAS No. 162 is effective 60 days following the SEC approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." Adoption of SFAS 162 will not be a change in the Company's current accounting practices; therefore, it will not have a material impact on the Company's consolidated financial condition or results of operations.

On December 31, 2008, the SEC adopted a final rule that amends its oil and gas reporting requirements. The revised rules change the way oil and gas companies report their reserves in the financial statements. The rules are intended to reflect changes in the oil and gas industry since the original disclosures were adopted in 1978. Definitions were updated to be consistent with Petroleum Resource Management System (PRMS). Other key revisions include a change in pricing used to prepare reserve estimates, the inclusion of non-traditional resources in reserves, the allowance for use of new technologies in determining reserves, optional disclosure of probable and possible reserves and significant new disclosures. The revised rules will be effective for our annual report on Form 10-K for the fiscal year ending December 31, 2009. The SEC is precluding application of the new rules in quarterly reports prior to the first annual report in which the revised disclosures are required and early adoption is not permitted. We are currently evaluating the effect the new rules will have on our financial reporting and anticipate that the following rule changes could have a significant impact on our results of operations as follows:

- The price used in calculating reserves will change from a single-day closing price measured on the last day of the company's fiscal year to a 12-month average price, and will affect our depletion and ceiling test calculations.
- Several reserve definitions have changed that could revise the types of reserves that will be included in our year-end reserve report.
- Many of our financial reporting disclosures could change as a result of the new rules.

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	December 31, 2008	December 31, 2007
Non-operating Partner joint venture accounts	\$ 1,193	\$ 454,179
Operator cash call advances	-	76,388
Government of Canada Goods and Services Tax Claims	16,733	621,254
Accrued interest receivable	-	57,096
Other	46,399	5,336
	<u>\$ 64,325</u>	<u>\$ 1,214,253</u>

6. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits consist primarily of unexpired insurance premiums and software license user fees.

7. OTHER ASSETS

Other assets represent long term deposits required by governmental regulatory authorities for environmental obligations relating to well abandonment and site restoration activities.

	December 31, 2008	December 31, 2007
Alberta Energy and Utility Board Drilling Deposit	\$ 73,507	\$ 87,618
Alberta Energy Royalty Deposit	-	4,723
British Columbia Oil and Gas Commission Deposit	217,396	267,112
	<u>\$ 290,903</u>	<u>\$ 359,353</u>

8. CAPITAL ASSETS

	Cost	Accumulated Depreciation and Depletion	Net Book Value December 31, 2008
Oil and Gas Properties:			
Canada	\$ 27,244,206	\$ 1,935,428	\$ 25,062,473
United States	11,749,456	498,867	11,250,589
	38,993,662	2,434,295	36,559,367
Furniture and Fixtures	148,025	72,460	75,565
Total	\$ 39,141,687	\$ 2,506,755	\$ 36,634,932

	Cost	Accumulated Depreciation and Depletion	Net Book Value December 31, 2007 (Restated)
Oil and Gas Properties:			
Canada	\$ 20,695,042	\$ 1,651,037	\$ 19,044,005
United States	8,423,346	-	8,423,346
	29,118,388	1,651,037	27,467,351
Furniture and Fixtures	128,415	52,761	75,654
Total	\$ 29,246,803	\$ 1,703,798	\$ 27,543,005

During the year ended December 31, 2008, the Company capitalized \$292,824 (2007 - \$193,173) of general and administrative personnel costs attributable to acquisition, exploration and development activities.

Unproved Properties

Included in oil and gas properties are the following costs related to Canadian and United States unproved properties, valued at cost, that have been excluded from costs subject to depletion:

	December 31, 2008	December 31, 2007 (Restated)
Canada		
Land acquisition and retention	\$ 13,319,909	\$ 11,384,017
Geological and geophysical costs	9,330,180	6,371,954
Exploratory drilling	619,409	1,114,763
Tangible Equipment and Facilities	244,450	127,217
Other	75,132	46,054
	\$ 23,589,080	\$ 19,044,005
United States		
Land acquisition and retention	\$ 6,758,899	\$ 7,606,389
Geological and geophysical costs	941,836	383,800
Exploratory drilling	1,974,346	409,246
Tangible Equipment and Facilities	95,699	-
Other	79,809	23,911
	\$ 9,850,589	\$ 8,423,346
	\$ 37,171,397	\$ 27,467,351

Drilling programs are being planned for 2009 for our Alberta and British Columbia properties in Canada. It is estimated by management that the unproved property costs associated with these properties, which in the aggregate constitute approximately \$3,000,000 of our total unproved property costs as at December 31, 2008, will be included in our costs subject to depletion when production commences.

Ceiling Test

The Company has performed ceiling tests for its Canadian and United States geographical cost centers. As at December 31, 2008 and 2007, the carrying values of the Company's unproved properties in its Canadian and United States cost centers were assessed by management. Costs attributable to certain Canadian cost center properties were determined to be unsupportable and consequently, ceiling test impairment write-downs of \$284,391 (2007 - \$174,380) were recorded and included in depletion, depreciation and accretion. In addition, costs attributable to certain United States cost center properties were determined to be unsupportable and ceiling test impairment write-downs of \$498,867 (2007 - \$ nil) were recorded and included in depletion, depreciation and accretion. It was determined that no impairment existed in its United States cost center as at December 31, 2007.

Property Acquisition

On September 28, 2007 the Company purchased from Thunder Energy, Inc. ("Thunder") and CIMA Holdings, Inc. ("CIMA"), a subsidiary of Thunder, 100% of Thunder's interest in its EL 413 Exploration License in the Northwest Territories and 100% of CIMA's interest in their New Mexico properties in consideration for \$1 million cash and 7 million common shares of the Company valued at \$14,000,000 (\$2.00 per common share) and a commitment to issue in the future an additional 11,000,000 common shares of the Company upon the achievement of certain milestones in connection with the acquired properties. All acquired properties are unproved. Of this committed amount, 2 million shares were issued during the year (Note 12). For accounting purposes, the 7 million common shares issued to Thunder were recorded at a value of \$17,500,000 or \$2.50 per common share, being the same price per share at which the September 28, 2007 private placement financing of 2,756,000 non-flow-through common shares were issued (Note 13(s)).

Of the cash consideration, \$100,000 was paid as a deposit on July 11, 2007, and the balance of \$900,000 was paid at closing on September 28, 2007. Of the common shares consideration, 7 million shares were issued to Thunder at closing on September 28, 2007. An additional 6 million shares will be issued to Thunder if, as, and when certain performance milestones are achieved, including 2 million shares upon completion of a 2007/08 seismic program by June 30, 2008 (Note 12); 1 million shares upon the spudding of a shallow depth well (1,500 meters TD) by March 31, 2009; 1.5 million shares upon the spudding of a medium depth well (2,500 meters TD) before lease expiry in 2009 and 1.5 million shares upon conversion of any part of EL 413 to a Significant Discovery Lease. If, as a result of the Company's exploration and development activities on the acquired properties, reserves in place exceed 100 million barrels, then, for each excess 10 million barrels in place, 100,000 additional shares could be issued, up to a maximum of 5 million additional shares.

9. NOTE PAYABLE TO RELATED PARTY

On November 24, 2008, the Company borrowed \$32,841 (Cdn. \$40,000) from Sicamous Oil & Gas Consultants Ltd., a company controlled by William S. Tighe, CEO, President and COO of the Company, under the terms of a demand promissory note bearing interest at the Royal Bank of Canada prime rate plus 1% per annum. On January 27, 2009, an amount of \$15,981 (Cdn. \$20,000) was repaid.

10. LONG TERM LIABILITIES

Funds Advanced by Partners

As at December 31, 2008, the Company held \$39,262 (2007 - \$110,955) in funds advanced by partners for their share of a drilling deposit required to be lodged by the Company with the British Columbia Oil and Gas Commission (see Note 7) as security for future well abandonment and site restoration activities.

Notes Payable

During the second and third quarters of 2007, the Company received \$3,300,000 in advances from a European lender which bore interest at 9½% per annum and were unsecured. On September 28, 2007, the lender was repaid \$2,567,500 in 1,027,000 common shares issued as part of the financing described in Note 12. On October 1, 2007, the balance of \$732,500 was repaid in full in cash with accrued interest of \$94,055.

11. ASSET RETIREMENT OBLIGATIONS

Changes in the carrying amounts of the asset retirement obligations associated with the Company's oil and natural gas properties since December 31, 2006 are as follows:

Asset Retirement Obligations, December 31, 2006	\$	90,911
Obligations incurred		106,721
Accretion		8,503
Retirements		(54,321)
Asset retirement obligations, December 31, 2007		151,814
Obligations incurred		62,642
Accretion		14,044
Retirements		(28,926)
Asset retirement obligations, December 31, 2008	\$	199,574

At December 31, 2008, the estimated total undiscounted amount required to settle the asset retirement obligations was \$ 302,273 (2007 - \$213,880). These obligations will be settled at the end of the useful lives of the underlying assets, which currently extends up to 8 years into the future. This amount has been discounted using a credit adjusted risk-free interest rate of 7.5% and a rate of inflation of 2.5%.

12. INCOME TAXES

As at December 31, 2008, the Company's deferred tax asset is attributable to its net operating loss carry forward of approximately \$2,802,000 (2007 - \$2,000,000; 2006 - \$647,000), which will expire if not utilized in the years 2024, 2025, 2026, 2027 and 2028. As reflected below, this benefit has been fully offset by a valuation allowance based on management's determination that it is not more likely than not that some or all of this benefit will be realized.

For the years ended December 31, 2008, 2007, 2006 and for the period from date of inception, April 7, 2004 to December 31, 2008, a reconciliation of income tax benefit at the U.S. federal statutory rate to income tax benefit at the Company's effective tax rates is as follows.

	2008	2007 (Restated)	2006	Cumulative
Income tax benefit at statutory rate	\$ 1,156,000	\$ 944,000	\$ 1,080,000	\$ 3,907,000
Permanent Differences	(4,000)	2,000	(132,000)	(414,000)
State tax benefit, net of federal taxes	-	48,000	1,000	60,000
Foreign taxes, net of federal benefit	(2,224,000)	(323,000)	12,000	(2,532,000)
Revision to tax account estimates	(177,000)	-	-	(177,000)
Previously unrecognized tax asset	-	308,000	-	308,000
Other	(2,000)	-	-	(2,000)
Change in valuation allowance	1,251,000	(979,000)	(961,000)	(842,000)
Deferred tax asset before the following	-	-	-	-
Deferred tax credit arising from flow-through share premiums	978,835	147,000	-	1,125,835
Deferred Tax Recovery	978,835	147,000	-	1,125,835

Deferred tax assets (liabilities) at December 31, 2008, 2007 and 2006 are comprised of the following:

	2008	2007 (Restated)	2006
Deferred tax assets			
Deferred costs	\$ -	\$ -	\$ 443,000
Net operating loss carryover	2,802,000	2,000,000	647,000
Revision to tax account estimates	-	177,000	-
Other	75,000	59,000	24,000
Total deferred tax asset	2,877,000	2,236,000	1,114,000
Deferred Tax liabilities			
Excess of other U.S. tax deductions over book amounts written off	345,000	143,000	-
Net deferred tax asset before valuation allowance	2,532,000	2,093,000	1,114,000
Less valuation allowance	(2,532,000)	(2,093,000)	(1,114,000)
Net deferred tax asset	\$ -	\$ -	\$ -

The 2008 valuation allowance of \$2,532,000 includes \$1,690,000 relating to a December 31, 2008 currency revaluation adjustment that has not been charged to expense but is included in comprehensive loss in shareholders' equity.

13. SHARE CAPITAL

Authorized:

Common shares at par value of \$.001 per share as at December 31, 2008 and 2007 – 300,000,000; Preferred shares as at December 31, 2008 – 10,000,000 (December 31, 2007 – Nil).

The following share capital transactions occurred during the periods:

Shares Issued	Number	Par Value	Additional Paid in Capital
Balance December 31, 2005	474,028	474	834,561
Private Placement, net of costs(a)	16,000,000	16,000	756,655
Private Placement, net of costs(b)	933,324	933	1,259,067
Issued for service(c)	1,000,000	1,000	40,189
2:1 Stock split(d)	18,407,352	18,407	(18,407)
Issued for service, net of costs(e)	7,500,000	7,500	314,474
2:1 Stock split(f)	44,314,714	44,315	(44,315)
Private Placement, net of costs(g)	1,130,000	1,130	1,766,130
Private Placement, net of costs(h)	187,050	187	235,254
Stock-based compensation (note 13)	-	-	69,169
Balance December 31, 2006	89,946,468	89,946	5,212,777
Corrections to previous years' numbers	460	-	-
Private Placement, net of costs (h)	30,000	30	38,298
Private Placement, net of costs (i)	440,000	440	499,560
Private Placement, net of costs (j)	420,000	420	474,580
Private Placement, net of costs (k)	2,447,900	2,448	2,777,427
Private Placement, net of costs (l)	2,756,000	2,756	6,218,489
Private Placement, net of costs (l)	1,866,670	1,867	4,216,808
Private Placement (m)	7,000,000	7,000	17,493,000
Private Placement, net of costs (n)	335,000	335	756,765
Private Placement, net of costs (o)	1,450,000	1,450	3,185,919
Stock-based compensation (note 13)	-	-	643,934
Balance December 31, 2007	106,692,498	106,692	41,517,557
Share Issue Costs (p)	-	-	(9,595)
Private Placement, net of costs (q)	1,204,000	1,204	2,844,804
Warrants converted to common shares (r)	127,500	128	191,122
Issue of Shares to Thunder (s)	2,000,000	2,000	4,078,000
Stock-based compensation (Note 14)	-	-	674,226
Balance December 31, 2008	110,023,998	\$ 110,024	\$ 49,296,114

Shares Issuable	2008		2007		2006	
	Number	Value	Number	Value	Number	Value
Opening Balance	-	\$ -	470,000	\$ 538,328	16,000,000	\$ 773,637
Issued during the period	-	-	(470,000)	(538,328)	(16,000,000)	(773,637)
Private Placement, net of costs (h)	-	-	-	-	30,000	38,768
Private Placement, net of costs (i)	-	-	-	-	440,000	499,560
Closing Balance	-	\$ -	-	\$ -	470,000	\$ 773,637

- (a) On January 13, 2006, 16,000,000 shares of common stock were issued pursuant to two private placements that closed December 22, 2005 (13,650,000 shares for gross proceeds of \$300,000) and December 30, 2005 (910,000 shares, for gross proceeds of \$500,000) respectively, recorded as Shares Issuable at December 31, 2005 in the amount of \$773,637 (net of share issue costs of \$26,363) as the share certificates were not issued until January 13, 2006.
- (b) In January, 2006, the Company closed a private placement for 933,324 common shares at a price of \$1.50 per share for gross proceeds of \$1,400,000. Share issue costs associated with this private placement totaled \$140,000.
- (c) In January, 2006, the Company issued 1,000,000 shares to settle debt of \$41,189 pursuant to the stock for services compensation plan. A beneficial conversion feature of \$808,811 was calculated on the debt for the year ended December 31, 2005 representing the difference between the conversion price and the fair value of the common stock at the commitment date. This amount was recorded as interest expense and an increase in additional paid in capital for the year ended December 31, 2005.
- (d) On February 20, 2006 the Company's stock split forward by paying a stock dividend to our existing shareholders. All shareholders of record on February 14, 2006 received 1 dividend share for every share they owned amounting to 18,407,352 shares of common stock issued.
- (e) During 2006, the Company issued 7,500,000 (2005 – Nil) common shares, pursuant to an S8 registration, for services provided to the Company that have been recorded under the provisions of SFAS No. 123R relating to transactions with non-employees where the fair value of the investor relations services rendered has been recorded as General & Administrative Expense and an increase in Additional Paid In Capital (less share issue costs of \$15,526. The recorded value of the transaction was \$337,500 and was based on the value of the invoices rendered for the services provided and an allowance for the lack of liquidity in the market for the Company's common shares. These transactions were in the normal course of business and agreed to by the non-employees and the Company based on negotiation and accordingly had been measured at the exchange amounts.
- (f) On May 1, 2006 the Company's stock split forward by paying a stock dividend to our existing shareholders. All shareholders of record on April 28, 2006 received 1 dividend share for every share they owned amounting to 44,314,714 shares of common stock issued.
- (g) In June 2006 the Company closed a private placement for 1,130,000 units at a price of \$1.70 per unit for gross proceeds of \$1,921,000. Each unit entitled the subscriber to one common share of the Company and one warrant. Share issue costs associated with this private placement totaled \$153,740. Each warrant entitles the warrant holder to exchange one warrant for one common share at a price of \$2.70 until June 30, 2008 and for \$3.50 until June 30, 2009.
- (h) In December 2006, the Company closed private placements for 54,375 units (217,450 common shares) at a price per unit of \$6.40 Cdn. (\$1.60 Cdn. per share) for aggregate proceeds of \$348,000. Each unit entitles the subscriber to three flow-through common shares and one common share. The flow-through shares entitle the holder to a Canadian Exploration Expense deduction under the Canada Income Tax Act. Of these shares, 30,000 were classified, net of share issue costs of \$38,768, as Shares Issuable as at December 31, 2006 as the share certificates were not issued until February, 2007.
- (i) On December 22, 2006, the Company received proceeds for a private placement of 440,000 units at a price of \$1.25 per unit that closed on February 20, 2007 for gross proceeds of \$550,000. Each unit entitled the subscriber to one common share of the Company and one warrant. These common shares were classified, net of share issue costs of \$50,000, as Shares Issuable as at December 31, 2006 as the share certificates were not issued until January, 2007. Each warrant entitles the warrant holder to exchange one warrant for one common share at a price at a price of \$1.50 until December 22, 2008.
- (j) On February 20, 2007, the Company closed a private placement for 420,000 units at a price of \$1.25 per unit for gross proceeds of \$525,000. Each unit entitled the subscriber to one common share of the Company and one warrant. Each warrant entitles the warrant holder to exchange one warrant for one common share at a price at a price of \$1.50 until February 20, 2009. Share issue costs associated with this private placement totaled \$50,000.
- (k) On May 10, 2007, the Company closed a private placement for 2,447,900 units at a price of \$1.25 per unit for gross proceeds of \$3,059,875. Each unit entitled the subscriber to one common share of the Company and one warrant. Each warrant entitles the warrant holder to exchange one warrant for one common share at a price at a price of \$1.50 until May 10, 2009. Share issue costs associated with this private placement totaled \$280,000.
- (l) On September 28, 2007, the Company closed a brokered private placement offering for an aggregate of 4,622,670 common shares for aggregate gross proceeds of \$12,490,010. Of the total number of shares, 2,756,000 were sold at a purchase price of \$2.50 per share for gross proceeds of \$6,890,000 and 1,866,670 were sold on a Canadian flow through share basis at a purchase price of \$3.00 for gross proceeds of \$5,600,010. The \$933,335 premium portion of the flow-through shares proceeds was credited to Flow-through Share Premium Liability. Share issue costs associated with this offering totaled \$1,116,755. In connection with the offering, the broker was granted warrants to purchase, until March 28, 2009, (i) 220,480 common shares of the Company at a price of \$2.50 per share and (ii) 149,334 common shares of the Company at a price of \$3.00 per share. The broker was also granted a right of first refusal for future securities offerings in Canada and investment banking and advisory rights for a period of 18 months. As a condition of the agency agreement, the Company committed to seek a listing on the Toronto Venture Stock Exchange for its common shares. Such listing was approved on December 21, 2007 and the Company's common shares commenced trading on the Exchange December 24, 2007.

- (m) On September 28, 2007, the Company issued 7 million common shares valued at a price of \$2.00 per share for gross proceeds of \$14,000,000 as partial consideration for the acquisition of certain unproved oil and gas properties in Canada and the United States. For accounting purposes, the 7 million common shares issued to Thunder were recorded at a value of \$17,500,000 or \$2.50 per common share, being the same price per share at which the September 28, 2007 private placement financing of 2,756,000 non-flow-through common shares were issued. See (l). The Company also committed to issue up to an additional 11,000,000 common shares of the Company upon the achievement of certain milestones in connection with the acquired properties as set out in Note 8.
- (n) On October 3, 2007, the Company closed a second portion of the brokered private placement (“the Offering”) of common shares and flow through common shares that closed on September 28, 2007. Pursuant to the Offering, the Company issued an additional 335,000 flow through common shares at a purchase price of \$3.00 per share for total gross proceeds of \$1,005,000 and granted a warrant to the broker to purchase, until April 3, 2009, 26,800 common shares at a purchase price of \$3.00 per share. The \$167,500 premium portion of the flow-through shares proceeds was credited to Flow-through Share Premium Liability. Share issue costs associated with this portion of the Offering amounted to approximately \$80,400.
- (o) On October 30, 2007 and November 1, 2007, the Company closed additional brokered private placement financings aggregating 1,450,000 common shares and flow through common shares for aggregate gross proceeds of \$3,650,000. Pursuant to those private placements, the Company issued 1,400,000 common shares at a purchase price of \$2.50 per common share for proceeds of \$3,500,000 and 50,000 flow through common shares at a purchase price of \$3.00 per share for proceeds of \$150,000 and granted warrants to the broker to purchase, until April 30, 2009, 80,000 common shares at a purchase price of \$2.50 per share and 4,000 common shares at a purchase price of \$3.00 per share and, until May 1, 2009, 32,000 common share at a purchase price of \$2.50 per share. The \$25,000 premium portion of the flow-through shares proceeds was credited to Flow-through Share Premium Liability. Share issue costs associated with this private placement amounted to approximately \$437,631.
- (p) During the year ended December 31, 2008, the Company paid \$9,595 in share issue costs which related to common shares issued in 2007.
- (q) On June 18, 2008, the Company closed a private placement for an aggregate of 1,204,000 units at a price of US\$2.50 per unit, for gross proceeds of \$3,010,000 less share issue costs of \$163,992 for net proceeds of \$2,846,008. Each unit consisted of one common share and one warrant which entitles the holder to purchase, until June 18, 2010, one common share of the Company at a price per share of \$3.50. In connection with 1,200,000 shares of this private placement, an agent was granted warrants to purchase, until June 18, 2010, 96,000 common shares of the Company at \$3.50 per share.
- (r) In June, 2008, warrant holders converted 127,500 warrants into 127,500 common shares at \$1.50 per share for total proceeds of \$191,250.
- (s) In July, 2008, the Company issued 2,000,000 common shares to Thunder River Energy Inc. (“Thunder”) pursuant to the Company’s commitment to issue to Thunder common shares upon the achievement of certain milestones in connection with properties acquired from Thunder in September, 2007. (See Note 14). Such shares were valued and issued at market value of \$2.04 per share in July, 2008 and the value was added to the Company’s Canadian unproved properties.

The following common shares were reserved for issuance:

	Exercise Price (\$)	Equivalent Shares Outstanding	Weighted Average Years to Expiry	Option Shares Vested
Stock Options (see summary below)	\$ 1.28-\$2.58	1,796,666	4.03	Nil
Warrants (see summary below)	\$ 1.50-\$3.50	6,123,014	1.80	-
Thunder Acquisition (Note 8)		9,000,000		-
Total Shares Reserved		16,919,680		-

Stock Option Plan

The Company has a stock option plan under which it may grant options to its directors, officers, employees and consultants for up an authorized maximum of 8,000,000 common shares at market price at the date of grant for up to a maximum term of five years. Five year term options are exercisable equally over the first three years of the term of the option; three year term options are exercisable after one year. To date, no options have been exercised.

A summary of outstanding options under the plan is as follows:

	Expiry Date	Number of Option Shares	Weighted Average Exercise Price	Total Value
Granted to five directors and one officer October 23, 2006	Oct 23/11	1,280,000	\$ 1.50	\$ 1,920,000
Cancellation of one officer’s option		(280,000)	\$ 1.50	(420,000)
Granted to an employee December 1, 2006	Dec 1/11	125,000	\$ 1.28	160,000
Granted to an officer January 3, 2007	Jan 3/12	280,000	\$ 1.29	361,200
Granted to three senior advisors April 2, 2007	Apr 2/12	300,000	\$ 1.75	525,000
Granted to a consultant December 1, 2007	Dec 1/12	100,000	\$ 2.58	258,000
Granted to an employee March 24, 2008	Mar 24/11	25,000	\$ 1.86	46,500
Cancellation of two senior advisors’ options		(133,334)	\$ 1.75	(233,333)
Granted to two consultants and two employees October 16, 2008	Oct 16/11	100,000	\$ 0.69	69,000
Balance December 31, 2008		1,796,666	\$ 1.50	\$ 2,686,367

Warrants

During 2006, 2007 and 2008, the Company, as part of certain private placement financings, issued warrants that are exercisable in common shares of the Company. A summary of such outstanding warrants follows:

	Exercise Price	Expiry Date	Equivalent Shares Outstanding	Weighted Average Years to Expiry
Balance December 31, 2006	\$2.70-3.50	June 30/11	1,130,000	2.50
Issued February 20, 2007(i)	\$1.50	Feb. 20/09	860,000	.14
Issued May 10, 2007(k)	\$1.50	May 10/09	2,447,900	.36
Issued September 28, 2007(l)	\$2.50	Mar. 28/09	220,480	.24
Issued September 28, 2007(l)	\$3.00	Mar. 28/09	149,334	.24
Issued October 3, 2007(n)	\$3.00	Apr. 3/09	26,800	.25
Issued October 30, 2007(o)	\$2.50	Apr. 30/09	80,000	.33
Issued October 30, 2007(o)	\$3.00	Apr. 30/09	4,000	.33
Issued November 1, 2007(o)	\$2.50	May 1/09	32,000	.33
Total Issued in 2007			3,820,514	
Balance December 31, 2007			4,950,514	
Issued June 18, 2008(q)	\$3.50	Jun. 18/10	1,300,000	1.45
Converted upon exercise (r)	\$1.50	May 10/09	(127,500)	
Balance December 31, 2008			6,123,014	.95

14. STOCK-BASED COMPENSATION

Stock Options

In accordance with Financial Accounting Standards Board Statement ("FASB") No. 123R, the Company uses the Black-Scholes option pricing method to determine the fair value of each option granted and the amount is recognized as additional expense in the statement of earnings over the vesting period of the option. The fair value of each option granted has been estimated using the following average assumptions:

	2008	2007	2006
Risk free interest rate	2.96-3.05%	3.65-4.57%	3.74-4.11%
Expected holding period	3 years	3 years	3 years
Share price volatility	75%	75%	75%
Estimated annual common share dividend	\$ nil	\$ nil	\$ nil

The fair value of options granted during the year ended December 31, 2008 totaled \$60,600 (2007 - \$ 1,166,060; 2006 \$ 1,082,000). The amount of share-based compensation expense recorded during the year ended December 31, 2008 is \$ 674,226 (2007 - \$ 643,934; 2006 - \$ 69,169) and has been included in General and Administrative Expense with a corresponding credit to additional paid in capital. The unvested value of options expiring during the year was \$349,127 (2007 and 2006 - \$ Nil) leaving a balance of the fair value of the options to be expensed in future periods of \$574,203 (2007 - \$1,536,957; 2006 - \$ 1,012,831) over a vesting period of three years.

15. LOSS PER SHARE

A reconciliation of the numerator and denominator of basic and diluted loss per share is provided as follows:

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Numerator:			
Numerator for basic and diluted loss per share			
Net Loss	\$ 2,074,649	\$ 2,571,663	\$ 2,867,374
Denominator:			
Denominator for basic loss per share			
Weighted average shares outstanding	108,323,376	95,850,148	81,193,240
In the money stock options	215,813	841,415	-
In the money warrants	373,584	1,218,576	-
Contingent Thunder shares	2,500,000	1,171,233	-
Denominator for diluted loss per share			
Weighted average shares outstanding	111,412,772	99,081,371	81,193,240
Basic and diluted loss per share	\$ 0.02	\$ 0.03	\$ 0.04

The weighted average number of shares outstanding for 2006 has been adjusted retroactively for the two 2:1 stock splits that occurred in that year.

Of the contingent shares related to the property acquisition described in note 8, only 2.5 million shares of the 9 million total contingent shares are assumed to be issued for purposes of the 2007 diluted loss per share calculation. The 7.5 million shares relating to the significant discovery and production milestones have been excluded because their inclusion would be anti-dilutive.

16. COMMITMENTS AND CONTINGENCIES

Thunder Acquisition Commitments

On September 28, 2007 the Company purchased from Thunder certain unproved properties in Canada (Exploration License 413 – “EL 413”) and the United States (New Mexico) in consideration for cash and common shares of the Company as set out more fully in Note 7. Under the terms of the purchase agreement and an amendment dated October 22, 2008 to the purchase agreement, the Company is committed to issue in the future up to 9 million additional common shares of the Company upon the achievement of certain milestones in connection with the acquired properties, including 4 million shares to be issued as follows: 1 million shares upon the spudding of a shallow depth well (1,500 meters TD) by June 30, 2010; 1.5 million shares upon the spudding of a medium depth well (2,500 meters TD) before lease expiry in 2009 and 1.5 million shares upon conversion of any part of EL 413 to a Significant Discovery Lease. If, as a result of the Company’s exploration and development activities on the acquired properties, reserves in place exceed 100 million barrels, then, for each excess 10 million barrels in place, 100,000 additional shares could be issued, up to a maximum of 5 million additional shares. The purchase agreement also included a commitment of the Company to issue 2 million shares to Thunder upon the completion of a seismic program on the property by June 30, 2008. Such seismic program was completed and in July, 2008, 2 million shares were issued to Thunder (Note 13).

CREnergy Alberta Lands Commitment

As at December 31, 2008, the Company’s, on behalf of its wholly-owned subsidiary 1438821 Alberta Ltd. (now Cougar Energy, Inc. “Cougar”), had entered into an agreement with CREnergy Oil & Gas Inc. under which agreement the Company has committed to exclusivity rights payments aggregating Cdn. \$1,000,000, of which \$300,000 had been paid as at December 31, 2008 and \$225,000 subsequent to December 31, 2008. See Note 21.

Canadian Flow-through Share Commitments

In September and October, 2007, 2,251,670 flow-through common shares were sold at a purchase price of \$3.00 for gross proceeds of \$6,755,010 and on the basis that the Company would provide the investors a Canadian tax flow through deduction. In order to provide such flow through share tax deduction benefits to the investors, the Company committed to expend the proceeds on eligible capital expenditures in Canada prior to December 31, 2008 and renounce such expenditures to the flow through share investors. In January, 2008, these expenditures were renounced effective December 31, 2007 and expenditures of \$5,875,088 (2007 - \$879,922) were incurred during the year.

Vehicle Lease Commitments

As of December 31, 2008 and 2007, the Company had the following vehicle lease commitments for the years shown:

	December 31, 2008	December 31, 2007
Amounts payable in:		
2008	\$ -	\$ 34,509
2009	26,099	13,411
2010	23,856	11,167
2011	3,172	-

17. FINANCIAL INSTRUMENTS

The Company, as part of its operations, carries a number of financial instruments. It is management’s opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments except as otherwise disclosed.

The Company’s financial instruments, including cash and short term deposits, accounts receivable, accounts payable and accrued liabilities are carried at values that approximate their fair values due to their relatively short maturity periods.

18. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2006, the Company paid \$61,087 (2005 - \$131,156) to companies which, at that time, beneficially owned 9.3% (2005 – 9.1%) of the Company for investor relations services. Of this amount, investor relations services in the amount of \$61,087 are included in Administrative Expenses.

During the year ended December 31, 2006, the Company issued 2,000,000 common shares of the Company in consideration for corporate development services rendered to the Company by an individual, who beneficially owned 9.3% of the Company. The shares were valued at market price of \$.05 per share and were recorded as General and Administrative Expense and an addition to Additional Paid in Capital.

For the year ended December 31, 2008, the Company paid \$ Nil (2007 - \$108,624; 2006 - \$83,259) to Sicamous Oil & Gas Consultants Ltd. (“Sicamous”), a company owned by the current Chief Executive Officer, President & Chief Operating Officer of the Company for consulting services rendered to the Company. These amounts were charged to General and Administrative Expense. As at December 31, 2008, there was a note payable to Sicamous for \$32,841 (2007 - \$Nil). See Note 9.

For the year ended December 31, 2008, the Company paid \$ Nil (2007 - \$51,125; 2006 - \$53,247) to MHC Corp., a company owned by the former Chief Executive Officer of the Company for consulting services rendered to the Company. These amounts were charged to General and Administrative Expense. As of December 1, 2007, this individual resigned as Chief Executive Officer.

For the year ended December 31, 2008, the Company paid \$113,481 (2007 - \$86,550; 2006 - \$ nil) to Harbour Oilfield Consulting Ltd., a company owned by the Vice President – Operations of the Company for consulting services rendered to the Company, of which amount \$8,621 was payable as at December 31, 2008 (December 31, 2007 - \$Nil). Of these amounts \$49,118 (2007 - \$27,378; 2006 - \$ nil) was capitalized to Unproved Oil and Gas Properties and \$64,363 (2007 - \$59,172; 2006 - \$ nil) was charged to General and Administrative Expense

For the year ended December 31, 2008, the Company paid \$171,376 (2007 - \$128,711; 2006 - \$ nil) to the current Chief Financial Officer of the Company for services rendered to the Company, of which amount \$6,524 was payable as at December 31, 2008 (December 31, 2007 - \$Nil). These amounts were charged to General and Administrative Expense.

For the year ended December 31, 2006, the Company paid \$29,508 to the prior Chief Financial Officer of the Company for services rendered by her.

These related party transactions were in the normal course of business and agreed to by the related parties and the Company based on negotiations and Board approval and accordingly have been measured at the exchange amounts.

As at December 31, 2008, 2007 and 2006, no other amounts were owing to any related parties for services rendered.

19. SEGMENTED INFORMATION

The Company's two geographical segments are the United States and Canada. Both segments use accounting policies that are identical to those used in the consolidated financial statements. The Company's geographical segmented information is as follows:

	Year Ended December 31, 2008		
	U. S.	Canada	Total
Income during the Evaluation Period	\$ -	1,065	1,065
Net Loss	(490,044)	(1,584,605)	(2,074,649)
Capital Assets	11,250,589	25,384,344	36,634,932
Total Assets	9,861,161	24,190,538	37,171,397
Capital Expenditures	3,270,212	11,159,779	14,429,991

	Year Ended December 31, 2007		
	U. S.	Canada	Total
Income during the Evaluation Period	\$ -	225	225
Net Loss	(57,193)	(2,514,470)	(2,571,663)
Capital Assets	8,423,346	19,119,659	27,543,005
Total Assets	8,949,538	29,241,230	38,190,768
Capital Expenditures	7,858,511	18,519,418	26,377,929

	Year Ended December 31, 2006		
	U. S.	Canada	Total
Income during the Evaluation Period	\$ -	27,134	27,134
Net Loss	(20,668)	(2,846,706)	(2,867,374)
Capital Assets	564,835	761,221	1,326,056
Total Assets	650,953	2,056,122	2,707,075
Capital Expenditures	432,835	2,002,915	2,435,750

20. CHANGES IN NON-CASH WORKING CAPITAL

	Year Ended Dec. 31, 2008	Year Ended Dec. 31, 2007	Year Ended Dec. 31, 2006	Cumulative Since Inception April 7, 2004 to Dec. 31, 2008
Operating Activities:				
Accounts Receivable	\$ 620,554	(650,850)	(20,483)	(63,132)
Prepaid Expenses and Deposits	(17,251)	(49,613)	9,955	(114,759)
Accounts Payable	147,886	11,471	91,852	272,762
Accrued Liabilities	20,848	28,891	(36,395)	122,843
Other	-	-	-	25,000
Total	\$ 772,037	(660,101)	44,929	242,714

Investing Activities:

The total changes in investing activities non-cash working capital accounts, which is detailed below, pertains to capital asset additions and has been included in that caption in the Statement of Cash Flow:

Accounts Receivable	\$ 529,374	122,572	(653,129)	(1,193)
Prepaid Expenses and Deposits	1,664	155,976	(138,943)	18,697
Accounts Payable	(638,152)	867,152	441,778	670,778
Accrued Liabilities	(433,288)	232,542	200,746	-
Total	(540,402)	1,378,242	(149,558)	688,282

Financing Activities:

The total changes in financing activities non-cash working capital accounts, which is detailed below, pertains to shares issued and issuable and has been included in that caption in the Statement of Cash Flow:

Prepaid Expenses and Deposits	-	-	-	(10,000)
Accounts Payable	(72,417)	83,396	30,072	41,051
Accrued Liabilities	(220,000)	220,000	-	-
Note Payable to Related Party	32,841	-	-	32,841
Flow-through Share Premium Liability	-	1,125,835	-	1,125,835
Convertible Debt	-	-	(41,189)	-
Total	\$ (259,576)	1,429,231	(11,117)	1,449,303

21. SUBSEQUENT EVENT

Cougar Energy, Inc.

In November, 2008, the Company incorporated, under the laws of the Province of Alberta, a new wholly-owned subsidiary, 1438821 Alberta Ltd. In February, 2009, 1438821 Alberta Ltd. changed its name to Cougar Energy, Inc. ("Cougar"). In January, 2009, the Company vended its interests in its CREnergy Alberta Lands and its Lucy, B.C. property into Cougar (the "Cougar Properties") for common shares of Cougar. At the same time, Cougar initiated private placement financing activities to raise funds to carry out planned work programs on the Cougar Properties. As of March 23, 2009, Cougar has raised approximately \$500,000. As a result of these Cougar financings, the Company's interest in Cougar has been reduced to approximately 94%.

ITEM 9. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) as of the end of the period covered by this report. They concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not adequate and effective in ensuring that material information relating to the Company would be made known to them by others within those entities, particularly during the period in which this report was being prepared.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)). Under the supervision and with the participation of our management, including our principal executive officer (CEO) and principal financial officer (CFO), we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Management identified the following material weaknesses during its assessment of our internal control over financial reporting as at December 31, 2008 and December 31, 2007.

Segregation of Duties and Access to Critical Accounting Systems

As at December 31, 2008 and December 31, 2007, management believes the Company's Internal Control over Financial Reporting did not meet the definition of adequate control, based on criteria established by Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management identified a material weakness relating the segregation of duties among certain personnel who had incompatible responsibilities within all significant processes affecting financial reporting. We also had a material weakness resulting from our failure to implement controls to restrict access to financially significant systems or to monitor access to those systems, which resulted in conflicting access and/or inappropriate segregation of duties. These material weaknesses affect all significant accounts. In addition, the 2007 restatement issues discussed below demonstrated a need to engage additional personnel or outside consulting assistance to ensure the proper accounting for non-routine accounting transactions and adherence to US GAAP, to assist in income tax planning and compliance and a review of our Canadian and U. S. income tax provisions. As a result of these material weaknesses, management has concluded that internal control over financial reporting was not effective as at December 31, 2008 and December 31, 2007.

2007 Restatement

During the process of preparing this Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2008, it was determined that it may be necessary to restate our consolidated financial statements for the Fiscal Quarter Ended September 30, 2007 and the Fiscal Year Ended December 31, 2007. The restatements would be required to correct for an error in measurement and an error in the application of U.S. generally accepted accounting principles ("US GAAP") in recording two September, 2007 transactions as described in Note 2 to our unaudited consolidated financial statements.

After discussing these matters with other management, the CFO recommended to the Audit Committee that previously reported financial results be restated to reflect correction of these errors. The Audit Committee agreed with this recommendation. Pursuant to the recommendation of the Audit Committee, the Board of Directors determined at its meeting on March 13, 2009, that previously reported results for the Company be restated. On March 27, 2009, amended consolidated financial statements for the above noted periods were filed.

These errors resulted from the Company not seeking appropriate external advice regarding the recording of certain transactions that were complex and not subject to routine accounting principles. One error was in measuring the appropriate date at which common shares of the Company were issued in consideration for the acquisition of unproved oil and gas properties, an arm's length transaction that was negotiated over a period of several months during 2007 but not finally closed until September 28, 2007, at which date the common shares were issued. The second error was in the application of US GAAP in the accounting for the complexities involved relating to premium proceeds received on the issue of Canadian flow-through shares, a Canadian income tax concept not in practice in the United States. These errors demonstrated a material weakness relating to the segregation of duties among financial and accounting personnel and a need to engage additional personnel or seek outside advice where appropriate to strengthen internal controls over financial reporting.

Our management has discussed the material weaknesses described above and other deficiencies with our Audit Committee and we have documented this assessment and made this assessment available to our independent registered Chartered Accountants. We recognize that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2008, has been audited by Meyers Norris Penny LLP, independent registered Chartered Accountants, as stated in their report which is on page 21 of this Form 10-K. Meyers Norris Penny LLP also audited our Financial Statements as stated in their report which is on page 23 of this Form 10-K.

Remediation of Material Weakness in Internal Control

During December, 2006 and the first half of 2007, the company hired a Controller, a new CFO and a Vice-President Operations and additional qualified personnel. The new staff and existing management have implemented new procedures and controls for many areas of the Company's activities. During 2007, the Company initiated a review of its corporate policies and procedures with the assistance of an outside consulting firm, with a goal of having the Company become fully SOX compliant by year end 2007. Additional policies and procedures have been implemented and others strengthened. Testing of such policies and procedures was completed in late 2007 and early 2008. In addition, the Company will endeavor to engage outside consulting assistance to ensure the proper accounting for non-routine accounting transactions and adherence to US GAAP. Beginning in 2008, the Company engaged an outside consulting firm to assist in income tax planning and compliance and beginning with our fiscal year ended December 31, 2008, to review our Canadian and U.S. income tax provisions.

As at December 31, 2008, the Company continues to have a material weakness relating to the segregation of duties among certain personnel and as of that date, management believes that without engaging additional personnel, estimated to cost a minimum of approximately \$150,000 per annum, we cannot remedy such material weakness. Management believes such expenditures cannot be justified at this time when the Company is still in the exploratory stage of operations and has no proved reserves, production or cash flow. When sufficient cash flow is being generated, management will review its position. Management believes its controls and procedures related to its financial and corporate information systems are appropriate for a company of its size and mandate and due to its internal expertise, it is not dependent upon the inherent risks in external third party management of such systems.

CHANGES IN INTERNAL CONTROLS

During 2007, the Company initiated a review of its corporate policies and procedures with the assistance of an outside consulting firm, with a goal of having the Company become fully SOX compliant by year end 2007. Additional policies and procedures have been implemented and others strengthened. Testing of such policies and procedures was completed in late 2007 and early 2008. Management believes these improvements in our overall internal control, when combined with the remediation discussed above, will strengthen the Company's internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

B. Directors and Executive Officers

Name	Age	Title
William Tighe	57	Chairman of the Board, CEO, COO and President
Peter Schriber	66	Director
Glenn Watt	33	Vice President Operations and Director
Leslie Owens	44	Director
Gordon Taylor	60	Director
Greg Juneau	41	Director
William Brimacombe	65	Chief Financial Officer

Mr. William Tighe has held the positions of Chief Operating Officer, President and Director of the Company since September, 2005 and Chief Executive Officer of the Company since December, 2007. Mr. Tighe has also been Chairman of the Board since December 3, 2008. Since 2005, Mr. Tighe has focused on developing Kodiak's business interests. His past experience includes approximately thirty years in management, operations, maintenance, and more recently major/minor projects for both Canadian and other international energy companies. These positions were in a variety of field settings from the heavy oil industry, sour gas/liquids plants in Alberta and British Columbia and the sub-arctic in Canada, to design offices, construction, C&SU and operation of large gas/liquids processing operations in southeast Asia. Since 2004, Mr. Tighe has worked for Suncor Energy Ltd. as a Business Services Manager, Growth Planning and Development. From 2000 until 2004 Mr. Tighe worked for Petro China International as Operations Development and Commissioning Manager. Prior to that, Mr. Tighe had extensive experience both in Alberta and internationally in the oil and gas industry. Mr. Tighe attended the University of Calgary where he studied general science and computer science. He holds an Interprovincial Power Engineering Certification II Class.

Mr. Peter Schriber has been a director of the company since November 28, 2005. Mr. Schriber is currently an independent financial consultant. Mr. Schriber is active in mergers and acquisitions as well as debt and equity financing for private and public companies. Prior to 1999, Mr. Schriber was a director and partner of a Vancouver based brokerage firm. Prior to that Mr. Schriber was a Vice President and Manager of Corporate Lending with the Canadian division of a Swiss Bank. Mr. Schriber has a degree in Commerce from a Swiss Institution and he graduated as a Fellow of the Institute of Canadian Bankers. Mr. Schriber is also a member of the Canadian Bankers Association.

Mr. Glenn Watt has been a director of the company since November 28, 2005 and Vice President Operations of the Company since April, 2007. Prior to joining Kodiak, Mr Watt has worked primarily in the Western Canadian Sedimentary Basin and from May, 2003 to March, 2007, was drilling and completions superintendent for a large Canadian oil and gas royalty trust. Prior to that, he worked for a major oil & gas company as a completions superintendent. He has additional field experience working on drilling rigs in Alberta and British Columbia. Mr. Watt has an honors diploma in Petroleum Engineering Technology from the Northern Alberta Institute of Technology and a Bachelor of Applied Petroleum Engineering Technology Degree from the Southern Alberta Institute of Technology.

Mr. Leslie Owens has been a director of the Company since December 3, 2008 and has more than twenty-five years of oil and gas experience primarily in completions and production services. He is currently General Manager at Canadian Sub-Surface Energy Services, a provider of cased-hole completion, production and evaluation services. From October 2001 to April 2008, Mr. Owens was in management positions with Ultraline Services Corp., a provider of wireline services and from October 1999 to October 2001, he was in sales with Plains Perforating Ltd., a provider of perforating services. Prior to then, his experience was with various oil and gas service companies, in positions progressing from sales to senior management.

Mr. Gordon Taylor has been a director of the Company since February 27, 2009. Mr. Taylor is a Calgary-based businessman with over 16 years of financial experience in mortgages, investments, real estate acquisition, and development. He is the founder and president of Liberty Mortgage Services Ltd. and since 1996 to present has specialized in syndicated mortgages. From 1992 to present, he is also founder and president of Tach Investments Ltd., a private investment company. Prior to 1992, Mr. Taylor was with Alberta Opportunity Company for over 18 years, with 15 years as Branch Manager, financing small to medium sized businesses in the province of Alberta.

Mr. Greg Juneau has been a director of the Company since February 27, 2009. Mr. Juneau is a Calgary-based professional engineer with over 19 years of oil and gas experience as a project engineer and manager. His areas of expertise include engineering, procurement and construction management of surface facilities. From 2000 to present, Mr. Juneau is the president and engineering manager at Segment Engineering Ltd. He coordinates full discipline engineering, procurement, construction and management (EPCM) projects consisting of oil and gas well sites, gathering systems, transmission pipelines, pump stations, satellites, batteries, compression and gas plants within British Columbia, Alberta and Saskatchewan. Mr. Juneau graduated from the University of Alberta in 1990 with a Bachelor of Science Degree in Mechanical Engineering and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA), and Association of Professional Engineers and Geoscientists of BC (APEGBC).

Mr. William E. Brimacombe is a Canadian Chartered Accountant and since January, 2007 has been Chief Financial Officer of the Company. From 2000 to 2006, Mr. Brimacombe was Vice-President Finance of AltaCanada Energy Corp., a publicly traded Canadian oil and gas company. Prior thereto, Mr. Brimacombe has over thirty years financial experience working for a number of public and private oil and gas companies with operations in Canada, the United States and other countries, including experience as an independent financial consultant during the years 1988 to 2000. During 2009, Mr. Brimacombe will become a Life member of the Institute of Chartered Accountants of Alberta with forty years membership in that organization.

During the last five years, no officer or director of the Company has been involved in any legal, bankruptcy or criminal proceedings or violated any federal, state or provincial securities or commodities laws or engaged in any activity that would limit their involvement in any type of business, including securities or banking activities.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of the outstanding shares of the Company's Common Stock, to file initial reports of beneficial ownership and reports of changes in beneficial ownership of shares of Common Stock with the Commission. Such persons are required by Commission regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company during the year ended December 31, 2008, and upon a review of Forms 5 and amendments thereto furnished to the Company with respect to the year ended December 31, 2008, or upon written representations received by the Company from certain reporting persons that no Forms 5 were required for those persons.

AUDIT COMMITTEE AND FINANCIAL EXPERT

During the year end December 31, 2008, the audit committee met five times. The audit committee's role is financial oversight. Our management is responsible for the preparation of our financial statements and our independent registered public accounting firm is responsible for auditing those financial statements. The audit committee is not providing any special assurance as to our financial statements or any professional certification as to the registered independent accounting firm's work.

The audit committee is directly responsible for the appointment, compensation, retention and oversight of Kodiak's independent registered accounting firm. The committee, among other things, also reviews and discusses Kodiak's audited financial statements with management.

Our audit committee is comprised of three directors: Peter Schriber and Gordon Taylor, who are independent and Glenn Watt. Our board has determined Peter Schriber, our Audit Committee Chairman, qualifies as an "audit committee financial expert" within the definition established by the SEC and he is an independent director.

CODE OF ETHICS

A code of ethics relates to written standards that are reasonably designed to deter wrongdoing and to promote:

- 1) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
- 2) Full, fair, accurate, timely and understandable disclosure in reports and documents that are filed with, or submitted to the Securities and Exchange Commission and in other public communications made by the Company.
- 3) Compliance with applicable government laws, rules and regulations
- 4) The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and
- 5) Accountability for adherence to the code.

In October, 2007, the Company adopted a formal code of business conduct. The board of directors evaluated the business of the Company and its personnel and has determined that its business operations are operated by a growing number of persons, some of who are also officers, directors and employees of the Company and others who are independent contractors. Although general rules of fiduciary duty and federal, state and provincial criminal, business conduct and securities laws are adequate ethical guidelines, a formal written code of business conduct would provide additional ethical standards of conduct to which the Company's personnel should comply.

ITEM 11. EXECUTIVE COMPENSATION.

COMPENSATION OF EXECUTIVE OFFICERS

The following table summarizes compensation of our Chief Executive Officer & President, Chief Financial Officer, and Vice President Operations for the fiscal year ended December 31, 2008.

Summary Compensation Table

Name and Principal Position	Year	Salary	Stock Awards	Option Awards(4)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
William S. Tighe, CEO, President and COO (1)	2008	\$ 113,495	\$ 0	\$ 72,464	\$ 0	\$ 0	\$ 0	\$ 185,959
William E. Brimacombe, CFO (2)	2008	\$ 171,376	\$ 0	\$ 67,666	\$ 0	\$ 0	\$ 0	\$ 239,042
Glenn Watt, Vice President Operations (3)	2008	\$ 113,481	\$ 0	\$ 72,464	\$ 0	\$ 0	\$ 0	\$ 185,945

- 1) Mr Tighe's compensation was directly to him as a salaried employee for 2008.
- 2) Mr. Brimacombe's compensation was paid directly to him for services rendered by him as Chief Financial Officer of the Company for 2008.
- 3) Mr. Watt's compensation was paid to Harbour Oilfield Consulting Ltd., a company owned by Mr. Watt for services rendered by him as Vice President Operations of the Company, for 2008.
- 4) This is the estimated 2008 cost of stock options granted based on the Black-Scholes valuation method.

Outstanding Equity Awards at Fiscal Year-End

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that have not Vested	Market Value of Shares or Units of Stock that have not Vested(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or other Rights that have not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have not Vested
William S. Tighe	133,333	66,667(1)	-	\$ 1.50	10/23/11	0	0	0	0
Glenn Watt	133,333	66,667(1)	-	\$ 1.50	10/23/11	0	0	0	0
William E. Brimacombe	93,333	186,667(2)	-	\$ 1.29	1/3/12	0	0	0	0

- 1) Unexercised options vest 66,667 on Oct 23/09.
- 2) Unexercised options vest 93,333 on Jan 03/09 and 93,334 on Jan 3/10.

COMPENSATION DISCUSSION AND ANALYSIS

Overview of Compensation Program and Philosophy

The Company has three executive officers, two of whom are the Company's directors. The Board of Directors serves as the Company's compensation committee, initiates and approves most compensation decisions. Annual bonuses for executives are determined by the Board of Directors.

The goal of the compensation program is to adequately reward the efforts and achievements of executive officers for the management of the Company. The Company has no pension plan and no deferred compensation arrangements. The Company has not used a compensation consultant in any capacity.

We have a formal employment contract with Mr. William Tighe and formal consulting contracts with Mr. Glenn Watt and Mr. William Brimacombe or their consulting companies. During 2008, Mr. William Tighe was paid Cdn \$10,000 per month. During 2008, Harbour Oilfield Consulting Ltd., a company owned by Mr. Watt, was paid \$Cdn \$10,000 per month. During 2008, Mr. William Brimacombe was paid Cdn. \$110 per hour, a monthly vehicle allowance of Cdn. \$800 and a bonus of Cdn. \$15,000. No options were granted to executive officers during 2008.

Compensation of Directors

Directors of the corporation are not paid any cash compensation. We reimburse each of our directors for reasonable out-of-pocket expenses that they incur in connection with attending board or committee meetings.

On January 4, 2006, the Company adopted a stock-based compensation plan, under which each director of Kodiak would receive 120,000 options upon becoming a director and an additional 80,000 options in the second year and 200,000 options in the third year for each year or part of a year served as a director. On July 19, 2006 the stock option plan was approved by the shareholders of the Company. On October 23, 2006, options granted to directors were adjusted to 200,000 shares per director. The exercise price of such options is the market price per share on the date of grant.

No stock options were granted to any directors during 2008. No named directors or executive officers exercised any stock options during fiscal 2008, 2007 or 2006.

DIRECTOR COMPENSATION TABLE

The table below summarizes the compensation paid by us to our non-employee directors during the year ended December 31, 2008.

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Option Awards(2)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Marvin Jones(3)	\$ 0	\$ N/A	\$ 72,464	N/A	N/A	\$ 0	\$ 72,464
Peter Schriber	\$ 0	\$ N/A	\$ 72,464	N/A	N/A	\$ 0	\$ 72,464

(1) No stock awards were made during 2007, 2006 or 2005.

(2) This is the estimated 2008 cost of stock options granted October 23, 2006 based on the Black-Scholes valuation method.

(3) Mr. Jones resigned as a director effective February 27, 2009.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of the date of this report, information relating to the beneficial ownership of our common stock by those persons known to us to beneficially own more than 5% of our capital stock, by each of our directors, proposed directors and executive officers, and by all of our directors, proposed directors and executive officers as a group. The address of each person is set out in the footnotes to the table.

Name of Beneficial Owner or Director	Number of Shares of Class	Percent of Class (1)
Mark Hlady, (2)	1,785,000	1.62%
William Tighe (3)	12,644,000	11.49%
Glenn Watt (4)	9,012,000	8.19%
Peter Schriber (5)	3,000,000	2.7381
Marvin Jones (6)	180,000	*
William Brimacombe (7)	200,000	*
All directors and executive officers as a group (six persons)	26,821,000	24.38%

* Less than 1%

(1) Based on 110,023,998 common shares outstanding as at December 31, 2008 and as at the date of this report.

(2) Shares held directly by Mr. Hlady, a director of the Company, whose address is 1420 9th St. N.W., Calgary, AB. T2M 3L2. Mr. Hlady resigned as Chairman and director effective December 3, 2008.

(3) Including 19,000 shares held directly by Mr. Tighe and 12,625,000 shares held by Sicamous Oil and Gas Consultants Ltd. ("Sicamous"), a company owned by Mr. Tighe, a director and CEO, COO and President of the Company and his wife Dianne Tighe. The address for Mr. Tighe and Sicamous Oil and Gas Consultants Ltd. is 245 Citadel Way N.W., Calgary, AB, T3G 4W8.

(4) Including 6,012,000 shares held directly by Mr. Watt, a director and Vice President-Operations of the Company and 3,000,000 shares held by 697580 Alberta Ltd., a company wholly-owned by

Kathleen, Jana and Ryan Tighe and of which Mr. Watt is the sole officer and director. The address for Mr. Watt and 697580 Alberta Ltd. is 3405 15th St. S.W., Calgary, AB, T2T 5X3.

(5) Shares held directly by Peter Schriber, a director of the Company, whose address is Gotthardstrasse 38, ch-8002 Zurich, Switzerland.

(6) Shares held directly by Marvin Jones, a director of the Company, whose address is #4, 1901 Varsity Estates Drive N. W., Calgary, AB T3B 4T7. Mr. Jones resigned as a director effective February 27, 2009.

(7) Shares held directly by William Brimacombe, CFO of the Company, whose address is 68 Arbour Wood Close N.W., Calgary, AB T3G 4A8.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

A former officer-director acquired 150,000 shares, post split, of the common share capital issued at the emergence from bankruptcy on April 7, 2004, for \$25,000.

Officers and Directors of the Company purchased 10,200,000 common shares of the Company on December 22, 2005 at \$0.02 per share for \$204,000. These shares were not issued by the transfer agent until January 13, 2006 and were reflected in shareholders' equity as part of the caption "Shares to be Issued" at December 31, 2005.

A director of the Company purchased 50,000 shares of the common capital stock of the Company on December 28, 2005 at \$0.50 per share for \$25,000. These shares were not issued by the Transfer Agent until January 13, 2006 and were reflected in shareholders' equity as part of the caption "Shares to be Issued" at December 31, 2005.

During the year ended December 31, 2006, the Company paid \$61,087 (2005 - \$131,156) to companies which, at that time, beneficially owned 9.3% (2005 - 9.1%) of the Company for investor relations services. Of this amount, investor relations services in the amount of \$61,087 (2005 - \$54,793) are included in Administrative Expenses and private placement commissions of \$ Nil (2005 - \$26,363) are included as share issue costs in Additional Paid In Capital.

During the year ended December 31, 2006, the Company issued 2,000,000 common shares in consideration for corporate development services rendered to the Company by an individual, who beneficially owned 9.3% of the Company. The shares were valued at market price of \$.05 per share and were recorded as General and Administrative Expense and an addition to Additional Paid in Capital.

During December, 2006, a director of the Company purchased 5,000 units comprising three flow-through shares and one common share at a price per unit of \$6.40 Cdn. (\$1.60 Cdn. per share). These shares were classified as Shares To Be Issued as at December 31, 2006 as the share certificates were not issued until February, 2007.

For the year ended December 31, 2008, the Company paid \$ nil (2007 - \$108,624; 2006 - \$83,259) to Sicamous Oil & Gas Consultants Ltd. ("Sicamous"), a company owned by the current Chief Executive Officer, President & COO of the Company for consulting services rendered by him. As at December 31, 2008, there was a note payable to Sicamous for \$32,841 (2007 and 2006 - \$ nil)

For the year ended December 31, 2007, the Company paid \$51,125 (2006 - \$53,247) to MHC Corp., a company owned by the former Chief Executive Officer of the Company for consulting services rendered by him. At December 1, 2007, this individual resigned as Chief Executive Officer.

For the year ended December 31, 2008, the Company paid \$113,481 (2007 - \$86,550; 2006 \$ nil) to Harbour Oilfield Consulting Ltd., a company owned by the Vice President - Operations of the Company for consulting services rendered by him, of which amount \$8,621 was payable as at December 31, 2008 (December 31, 2007 - \$ nil).

For the year ended December 31, 2008, the Company paid \$171,376 (2007 - \$128,711; 2006 - \$ nil) to the current Chief Financial Officer of the Company for services rendered by him, of which amount \$6,524 was payable as at December 31, 2008 (December 31, 2007 - \$ nil).

For the year ended December 31, 2006, the Company paid \$29,508 to the former Chief Financial Officer of the Company for services rendered by her.

As at December 31, 2008, 2007 and 2006, no other amounts were owing to any related parties for services rendered.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The Company paid audit fees to Meyers Norris Penny LLP for December 31, 2007 totaling \$100,000 and estimate the 2008 fees to be \$80,000. The 2008 fees include approximately \$55,000 relative to Internal Controls & Financial Reporting (2007 - \$63,000).

Audit-Related Fees

None

Tax Fees

None

All Other Fees

None

Audit committee policies & procedures

The above services were approved by the company's Audit Committee of the Board of Directors.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a. Exhibits

10.1 Stock Purchase Agreement dated December 29, 2005, among Kodiak Energy and various shareholders incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the Commission on December 29, 2005)

23.1 Consent of Meyers Norris Penny LLP

31.1 Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.(1)

31.2 Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.(1)

32.1 Certification of Chief Executive Officer, pursuant to 18 United States Code Section as enacted by Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer, pursuant to 18 United States Code Section as enacted by Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

/s/ William Tighe

William Tighe, Chairman, Chief Executive Officer, Chief Operating Officer and President

/s/ William Brimacombe

William Brimacombe, Chief Financial Officer

/s/ Glenn Watt

Glenn Watt, Vice President Operations and Director

/s/ Peter Schriber

Peter Schriber, Director

/s/ Leslie R. Owens

Leslie R. Owens, Director

Kodiak Energy, Inc.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-130561) and on Form SB-2 (No. 333-147325) of Kodiak Energy, Inc. of our report dated March 26, 2009, with respect to our audit of the consolidated financial statements of Kodiak Energy, Inc. which is included in the annual report on Form 10-K for the year ended December 31, 2008.

/s/ **MEYERS NORRIS PENNY LLP**

Calgary, Canada

March 26, 2009

KODIAK ENERGY, INC.

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, William S. Tighe, President and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Kodiak Energy, Inc. (the "registrant");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2009

/s/ William S. Tighe

William S. Tighe

President and Chief Executive Officer

Kodiak Energy, Inc.

EXHIBIT 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, William E. Brimacombe, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Kodiak Energy, Inc. (the "registrant");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - e) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - f) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - g) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - h) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - c) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - d) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2009
/s/ William E. Brimacombe
William E. Brimacombe
Chief Financial Officer

Kodiak Energy, Inc.

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual Report of Kodiak Energy, Inc. on Form 10-K for the period ended December 31, 2008 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: March 30, 2009
/s/ William S. Tighe
Name: William S. Tighe
Title: Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Kodiak Energy, Inc.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual Report of Kodiak Energy, Inc. on Form 10-K for the period ended December 31, 2008 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: March 30, 2009
/s/ William E. Brimacombe
Name: William E. Brimacombe
Title: Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
