



Target's Statement

of **K2 Energy Limited** ACN 115 310 560

in response to the off-market takeover bid by
Tomahawk Energy Limited ACN 106 609 143

to acquire all the ordinary shares in
K2 Energy Limited ACN 115 310 560

The Directors of K2 Energy Limited
having concluded that the Tomahawk Offer is fair and reasonable
unanimously recommend that you

ACCEPT

the Tomahawk Offer, in the absence of a superior proposal.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

IF YOU ARE IN ANY DOUBT AS TO HOW TO DEAL WITH IT, YOU SHOULD
CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER
AS SOON AS POSSIBLE.

IMPORTANT NOTICES

Target's Statement

This Target's Statement dated 2nd May 2007 is given by K2 Energy under Part 6.5 Division 3 of the Corporations Act in response to the bidder's statement which was served on K2 Energy by Tomahawk Energy Limited ACN 106 609 143.

You should read this Target's Statement in its entirety.

Capitalised terms used in this Target's Statement are defined in Section 8.1, along with certain rules of interpretation which apply to this Target's Statement.

A copy of this Target's Statement, which has been approved by a resolution of your Directors, has been lodged with ASIC and sent to ASX. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the content of this Target's Statement.

No Account of Personal Circumstances

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal financial or taxation advice. You may wish to seek your own independent financial and taxation advice before making a decision as to whether or not to accept the Tomahawk Offer for your K2 Energy Shares and K2 Energy Options.

Forward Looking Statements

This Target's Statement contains forward looking statements. All statements other than statements of historical fact are forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties, many of which are beyond the control of K2 Energy. Those risks and uncertainties include factors and risks specific to the oil and gas exploration industry as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expected or implied in any forward looking statement. None of K2 Energy, any of its Directors or Officers, any person named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement, makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on those statements.

Any forward-looking statements in this Target's Statement reflect views held by K2 Energy only as at the date of this Target's Statement.

Key dates

Tomahawk Offer	Date
Announcement Date	23rd February 2007
Date of the Bidder's Statement	5th April 2007
Date Offer made (beginning of the Offer Period)	23rd April 2007
Date of this Target's Statement	2nd May 2007
Close of Offer (unless extended or withdrawn)	23rd May 2007

Further information relating to the Tomahawk Offer can also be obtained from K2 Energy's website: www.k2energy.com.au, Tomahawk's website: www.tomahawkenergy.com.au. References in this Target's Statement to any website are for your reference only.

Information contained in or otherwise accessible from those websites and any website to which those sites are linked, or which links to those websites, do not form part of this Target's Statement.

WHAT TO DO

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU:

ACCEPT THE TOMAHAWK OFFER, IN THE ABSENCE OF A SUPERIOR PROPOSAL

TO ACCEPT THE TOMAHAWK OFFER, SIMPLY **FOLLOW THE INSTRUCTIONS FOR ACCEPTING CONTAINED IN THE BIDDER'S STATEMENT SENT TO YOU BY TOMAHAWK**

YOU SHOULD:

1. READ THIS TARGET'S STATEMENT.
2. CONSULT YOUR INVESTMENT, FINANCIAL, TAXATION OR OTHER PROFESSIONAL ADVISER IF IN DOUBT ABOUT WHAT TO DO.
3. **IF YOU WISH TO ACCEPT THE OFFER EITHER COMPLETE AND RETURN THE TOMAHAWK ACCEPTANCE FORMS OR INSTRUCT YOUR BROKER TO ACCEPT ON YOUR BEHALF.**

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CHAIRMAN'S LETTER

2nd May 2007

Dear K2 Energy Shareholder,

Your Directors unanimously recommend that you ACCEPT the takeover offer by Tomahawk Energy Limited for your K2 Energy Shares and Options, in the absence of a superior offer.

On 23rd February 2007, Tomahawk Energy Limited ("**Tomahawk**") announced a proposal to merge with K2 Energy. On 29th March 2007 K2 Energy announced it had completed its legal due diligence on Tomahawk's US oil and gas interests and advised the terms of the merger had been revised.

The merger will be carried out by Tomahawk making a takeover bid for all the shares and options in K2 Energy. Under the merger Tomahawk will offer:

- 6 new Tomahawk fully paid ordinary shares for every 10 fully paid ordinary shares in K2 Energy; and
- 1 new Tomahawk option, with an expiry date of 30th September 2009, exercisable at 20 cents, for every 2 options held in K2 Energy (**Tomahawk Offer**).

In this Target Statement, your Directors provide their recommendation in response to the Tomahawk Offer. I encourage you to read carefully all of the information contained in this booklet and seek independent financial and taxation advice.

Your Directors unanimously recommend that you accept the Tomahawk Offer, in the absence of a superior proposal. Each of your Directors intends to accept the Tomahawk Offer for their personal holdings of K2 Energy Shares and K2 Energy Options, in the absence of a superior offer.

Your K2 Energy Directors recommend that you accept the Tomahawk Offer for the following reasons:

- The merged entity will provide K2 Energy shareholders with a shareholding in a larger company which is an existing gas producer, with substantial exploration acreage, "behind pipe" potential reserves and 3D seismic generated drilling targets identified to date.
- The proposed merger has allowed K2 Energy to conclude a farm-in agreement with Metro Energy Group Inc (of Tulsa Oklahoma) to acquire a 50% interest in Metro Energy's 100% owned mineral leases over approximately 10 3D seismic generated targets. The farm-in will provide multiple drilling opportunities and it is anticipated that the first two wells will be drilled and completed within 30 days.
- The Tomahawk Oklahoma project provides an opportunity to participate in a focused project that is expected to yield immediate cashflow from new recompletions of existing wells, new drilling for conventional gas resources and longer term exposure to a significant unconventional gas project from the Caney and Woodford Shales.

The key reasons why your Directors are unanimous in their recommendation that you accept the Tomahawk Offer are set out in more detail in this Target's Statement.

Before making a decision in relation to your K2 Energy Shares and K2 Energy Options, your Directors encourage you to:

- read this Target's Statement and the Bidder's Statement in their entirety;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- consider the alternatives in Section 5.

Your Directors will keep you informed of any material developments in relation to the Tomahawk Offer. Information is also available on our website: www.K2energy.com.au.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Peter Moore', written over a faint horizontal line.

Peter Moore
Executive Chairman

2 Information about K2 Energy's business

2.1 Overview

K2 Energy is an Australian ASX-listed oil and gas exploration company engaged in direct investment in onshore oil and gas drilling opportunities in the United States.

To date K2 Energy has invested in a number of oil and gas drilling projects in Texas, Michigan, Louisiana, Illinois and Alabama. K2 continues to assess and evaluate many new drilling opportunities and intends to participate in those opportunities, subject to favourable commercial and technical evaluations.

2.2 Takeover offer by Tomahawk

On 23rd February 2007, Tomahawk Energy Limited (Tomahawk) announced a proposal to merge with K2 Energy. On 29th March 2007 K2 Energy announced it had completed its legal due diligence on Tomahawk's US oil and gas interests and advised the terms of the merger had been revised.

The merger will be carried out by Tomahawk making a takeover bid for all the shares and options in K2 Energy. Under the merger Tomahawk will offer:

- 6 new Tomahawk fully paid ordinary shares for every 10 fully paid ordinary shares in K2 Energy; and
- 1 New Tomahawk option, with an expiry date of 30th September 2009, exercisable at 20 cents, for every 2 options held in K2 Energy (**Tomahawk Offer**).

The Tomahawk Offer was subject to two conditions, namely:

- Before the end of the Offer period, Tomahawk has a relevant interest in no less than 90% of all K2 Energy shares and options on issue at that time; and
- There being no K2 Energy Prescribed Occurrences (refer to sections 9.8 and 10.8 of the Bidder's Statement) before the end of the offer period.

Tomahawk lodged the Bidder's Statement with K2 Energy, ASIC and ASX on 5th April 2007. The Tomahawk Offer is dated 23rd April 2007 and is scheduled to close at 5pm WST on 23rd May 2007.

At the date of this Target Statement, Tomahawk does not have a relevant interest in K2 Energy shares.

2.3 Restricted securities

When K2 Energy completed its initial public offer in November 2006, it entered into voluntary restriction arrangements with certain shareholders and their controllers, whereby each holder of restricted securities agreed not to dispose of, or agree to offer to dispose of, restricted securities in K2 Energy held by them, for a period of two years from the date of official quotation of K2 Energy shares on ASX. The restriction agreements may not be changed or waived without ASX consent. The persons who have entered into voluntary restriction agreements are set out in the table below:

Holder	Controller	Restricted Securities	Percentage of total Ordinary Shares/options
Aspen Energy, Inc.	Mike Reed	3,000,000 Ordinary Shares	3.49%
		3,000,000 Options	5.35%
Balander Pty Limited (Superannuation Fund account)	Sam Gazal	1,250,000 Ordinary Shares	1.45%
		1,250,000 Options	2.23%
Blazzed Pty Limited (as trustee for The Gaunt Management Trust)	Robert Kenneth Gaunt	500,000 Ordinary Shares	0.58%
		500,000 Options	0.89%
Edwards Meadows Pty Limited (as trustee for The Moore Investment Trust)	Peter Moore	18,500,000 Ordinary Shares	21.5%
		18,500,000 Options	33.04%
Hyperion Capital Pty Limited	Adrian Field	1,500,000 Ordinary Shares	1.74%
		1,500,000 Options	2.68%
Timbina Pty Limited (Superannuation Fund account)	Terence Flitcroft	1,250,000 Ordinary Shares	1.45%
		1,250,000 Options	2.23%

In ASX Listing Rule 9.17, ASX has indicated that it may consent to the release of restricted securities to enable a holder of restricted securities to accept an offer under a takeover bid. ASX Listing Rule 9.18 indicates that ASX will refuse consent unless all of the conditions in ASX Listing Rule 9.18 are met. In the case of an off-market takeover bid (such as the Tomahawk Offer), the relevant conditions in ASX Listing Rule 9.18 are:

- the offers are for all of the ordinary securities;
- holders of at least half of the securities in the bid class that are not restricted securities to which the offers relate have accepted; and
- if the offer is conditional, the bidder and the holder agree in writing that the holding lock will be applied for each restricted security that is not bought by the bidder under the off-market bid.

K2 Energy intends to apply to ASX for its consent to release of the restrictions upon the restricted securities, to allow the holders of restricted securities to accept the Tomahawk offer. K2 Energy has been informed by each of the holders of restricted securities that the holder intends to accept the Tomahawk Offer, in the absence of a superior proposal. However, K2 Energy will not be able to apply for ASX consent unless holders of at least half of the shares that are not restricted securities to which the offers relate have already accepted the Tomahawk Offer. In practice, this means that K2 Energy will not be able to seek ASX consent to release the restricted securities until Tomahawk has received acceptances for approximately 34.88% of K2 Energy ordinary shares from shareholders whose securities are not restricted. In order for the Tomahawk Offer to succeed, it is therefore important that K2 Energy shareholders whose securities are not restricted consider accepting the Tomahawk Offer without waiting for the minimum acceptance condition (over 90% relevant interest) to be satisfied, after having regard to the information contained in the Bidder's Statement and the Target's Statement.

2.4 Current K2 projects

(a) Hidden Lake Prospect - Texas

The Gayle #1 well, located in Brazoria County, Texas, will evaluate Frio age sands on the Hidden Lake Prospect. Multiple sands are being produced on the adjoining south offset unit by a new well. Previous production on the interpreted geological structure to be drilled was thought to have been depleted but is now believed to have been prematurely abandoned in light of recent pressure tests from a recently drilled new well. Reserve potential could range up to 7 BCF, but as the structure is to be tested by a competitive well, the competitive extraction rates could affect overall production recovery. The area has been evaluated by 3-D seismic, indicating an uplifted horst-block geological structure, bounded by faults on all four sides. Deeper reservoir potential exists that may be tested at a later date. Good soil sample results, corresponding to the subsurface interpretation of structure, further support the Hidden Lake Prospect. K2 Energy USA, Inc has acquired a 9.0616% working interest in the project at a precompletion budgeted cost of US\$123,000. Drilling of the Gale #1 well is expected to commence in early June 2007.

(b) Blackstone-Shary Hidalgo County- Texas

The Black Stone – Shary #1 well was production tested over a 16 day period at a stable rate of 150 MCFD with 16 BWPD and 430 psi flowing pressure on an 8/64” choke. The well is slated for a further production test to determine sustainable gas rates and pipeline specifications. Estimated gas reserves based on the test results are undetermined at this time. An additional prospective drill site located higher on structure, and in the same fault block, is now considered a likely drill target later in 2007.

The company has secured access to the pipeline gathering system owned by Chesapeake Energy Corp in exchange for the shallow mineral rights on a 40 acres lease controlled by the Shary Prospect owners. Chesapeake’s deep well encountered gas shows in a separate fault segment, which may also result in a future well proposal in which K2 Energy will have participation rights. K2 holds a 6.8% working interest and 5.03% net revenue interest in the Black Stone – Shary #1 well.

(c) North Case 26 / 27 Prospect - Michigan

The Haskill 26-1 well is a shallow test well designed to evaluate two subsurface and seismic anomalies in Presque Isle County, Michigan. Recent drilling results indicated possible proximity to a reef build up and proximate to the prospect, a rapidly rising structure, thickening Brown Niagaran dolomite, porosity development and oil shows can be confirmed from previous drilling attempts in the immediate area of the prospect. A review of seismic and other data to evaluate the feasibility of re-directing the existing well bore to locate a thicker build up of reef material has been completed and the company elected to participate in the re-drill (sidetrack) of the Haskill 26-1 well. The rig is expected to be on site in May 2007. The Haskill 26-1 well is targeting a Silurian pinnacle reef above 4,000’ true vertical depth. Potential reserves range up to 500,000 barrels of oil and associated casing head gas. K2 Energy holds a 30% working interest and a 22.5% net revenue interest in the prospect.

(d) Samano East Prospect – Starr County , Texas

K2 Energy has agreed with Riviera Production Company Ltd of Corpus Christi, Texas, to participate in an oil and gas well proposed to be drilled on the Samano East Prospect in Starr County, South Texas.

The proposed well is an infill development well in the Flores Field and will be drilled to 9,500', targeting two potential pay Vicksburg sands with anticipated reserves in excess of 5 BCF gas equivalent. The drill target was generated from 3D data and numerous points of subsurface control.

K2 Energy has a 10% working interest in the well for an estimated cost of \$US350,000 for the completed well. It is anticipated that the well will spud by July 2007.

(e) Alex Prospect- Hidalgo County, Texas

K2 Energy has acquired a 7.5% Working Interest in the Alex Prospect located in Hidalgo County , South Texas and operated by Dewbre Petroleum Corporation.

The prospect has potential for 24 BCFG and 360,000 barrels of condensate from potentially three pressured Frio Sand targets within a fault block that has been delineated by 3D seismic data. The prospect is close to pipeline infrastructure located in the adjacent Mercedes Field and drilling is expected to commence by May 2007. K2 Energy will spend an estimated US\$350,000 on a completed well to earn its 7.5% working interest.

(f) Bad Creek – Okfuskee County, Oklahoma

On 26 April 2007, K2 Energy announced that it had concluded an agreement with Metro Energy of Tulsa Oklahoma to acquire a 50% interest in 1930 acres of oil and gas leases owned by Metro Energy in Okfuskee County, Oklahoma. The leases are located in an Area of Mutual Interest ("AMI") known as the "Bad Creek AMI" covering 36 square miles. The Bad Creek AMI contains strategic 3D target specific acreage with potential to drill 10 – 20 exploration wells on 3D generated exploration targets, with multiple potential pay zones to depths generally less than 5000 feet. The consideration paid by K2 Energy to Metro Energy for a 50% interest in the Bad Creek AMI is US\$945,000 and K2 Energy has agreed to carry Metro Energy for 25% of the total of the combined cost of Metro Energy/K2 Energy's participation in the first four wells drilled through production casing point. Metro Energy will be the operator of all wells drilled within the Bad Creek AMI and will be AMI manager. Metro Energy and K2 Energy will participate in new leases acquired within the AMI on a 50/50 basis and K2 Energy will pay its share of the leasing costs, plus 20%, as Metro Energy will provide or procure all land management services. For a description of the implications for the Bad Creek AMI Agreement in the event that the Tomahawk Offer is not successful, please see section 4.3(a)(iii).

Drilling has already commenced in the Bad Creek AMI. The Priegel# 10-1 Well has been drilled to a total depth of 4350 feet and encountered strong gas shows from mud logs in multiple potential pay zones in the Jefferson, Boak and Gilcrease sands and the deeper Hunton Chert Zone. The electric logs of the well have not yet been provided to K2 Energy and further information will be provided to the market once the company has evaluated well logs to be provided by Metro Energy. K2 Energy has a 28.5591% working interest in the Priegel #1-10 well. The Patriot #1-15, the second well in the Bad Creek AMI, has commenced drilling to a total depth of 4350 feet on a 370 acre 3D generated structure. The well is drilling and has reached a depth of 3,336 feet. Mud logs indicate strong gas shows in the Bartlesville, Booch, Cromwell and Jefferson sands and the well appears to be confirming the 3D structural high identified by 3D seismic. K2 Energy has a 6.0425% working interest in the Patriot #1-15.

2.5 K2 Energy's future

(i) Operating risks

The operations of K2 Energy may be affected by various factors, including failure to achieve predicted well production flow rates; operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated reservoir problems which may affect field production performance; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

K2 Energy does not have a lengthy operating history, having commenced operations in February 2006. No assurances can be given that K2 Energy's prospects and projects will achieve commercial viability through the successful production from its leases.

(ii) Reserve and resource estimates

Reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans, which may, in turn, adversely affect K2 Energy's operations.

(iii) Commodity price volatility and exchange rate risks

If K2 Energy achieves success leading to hydrocarbon production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks.

Commodity prices fluctuate and are affected by many factors beyond the control of K2 Energy. Such factors include supply and demand fluctuations for oil and gas, technological advancements, forward selling activities and other macro-economic factors.

K2 Energy's main business undertakings will be based in the United States. As a result, revenues, cash flows, expenses, capital expenditure and commitments will be primarily denominated in United States dollars. This will result in the income, expenditure and cash flows of K2 Energy being exposed to the fluctuations and volatility of the price of oil and gas and the exchange rates, as determined in international markets.

(iv) Environmental risks

The operations and proposed activities of its wholly owned subsidiary company K2 USA Inc. will be subject to USA laws and regulations concerning the environment. As with most production operations, K2 Energy activities are expected to have an impact on the environment. It is K2 Energy's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in K2 Energy activities such as accidental leakages or spills, or other unforeseen circumstances, which could subject K2 Energy to extensive liability.

(v) Competition

K2 Energy will be competing with other companies in the USA, many of which may have access to greater resources than K2 Energy and may be in a better position to compete for future business opportunities. There can be no assurance that K2 Energy can compete effectively with these companies.

(vi) Insurance

Insurance against all risks associated with petroleum production is not always available or affordable. K2 Energy will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

(vii) Reliance on key personnel

The loss of any one or more of the Directors could have an adverse impact on the performance and prospects of the Company. It is not possible to predict the risk associated with a financial failure, default or non-compliance of a contractor, but such events, should they occur, are likely to harm the performance of K2 Energy.

(viii) Reliance on strategic relationships

K2 Energy depends on its strategic partners for investment opportunities and to assist it with evaluating and exploiting investment opportunities. There would be serious consequences for K2 Energy if one of the strategic partners did not comply with its agreement with K2 Energy, suffered insolvency or other financial difficulty or suffered a managerial failure.

(ix) Future capital needs and funding

Further funding may be required by K2 Energy to support its activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain finance will adversely affect the business and financial condition of K2 Energy and, consequently, its performance.

(x) Economic and political risks

Changes in the general economic (which by their nature are cyclical and are subject to change) and political climate in the United States, Australia and on a global basis that could impact on economic growth, the oil and gas industry, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any oil and gas activity that may be conducted by K2 Energy.

(xi) Changes in legislation and government regulation

Changes to legislation or government policy in Australia or the United States of America, including changes to the taxation system, may affect future earnings and the relative attractiveness of investing in K2 Energy.

(xii) Regulation in the United States

The oil and gas industry in the US is extensively regulated. Extensive federal, state, local and foreign laws and regulations relating to the exploration for and development, production, gathering and marketing of oil and gas will affect the Company's operations. From time to time, regulatory agencies have imposed price controls and limitations on production. Compliance with existing and anticipated regulation increases the cost of business.

3 Financial information about K2 Energy

3.1 Introduction

This section contains information relating to K2 Energy's financial results for the half-year ended 31 December 2006.

The financial information contained in this section is presented in an abbreviated form and does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

Shareholders should refer to the K2 Energy financial statements for the year ended 30th June 2006, for more detailed disclosure in relation to the historical financial performance, financial position and accounting policies of K2 Energy. Copies of the annual report can be found on the K2 Energy website www.k2energy.com.au.

3.2 Consolidated Historical Financial Performance and K2 Energy recent financial reporting

On 16 March 2007, K2 Energy released its half-yearly report for the period ending 31 December 2006. Set out below are extracts from that report.

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Economic Entity	
	31.12.06	31.12.05
	\$	\$
Revenue	276,718	31,330
Administrative expenses	(445,316)	(88)
Depreciation and amortisation expense	(1,482)	-
Employee benefits expense	(97,928)	-
Exploration and evaluation expenditure written off	(436,638)	-
Licence fees	(195,491)	-
Unrealised exchange difference	(234,858)	-
Profit/(loss) before income tax	(1,134,995)	31,242
Income tax (expense)/benefit	67,369	(9,373)
Profit/ (loss) attributable to members of the parent entity	(1,067,626)	21,869
Basic earnings per share (cents)	(1.4)	0.1
Diluted earnings per share (cents)	(1.4)	0.1

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

	Economic Entity	
	31.12.06	30.6.06
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	9,903,597	9,498,659
Trade and other receivables	21,412	3,682
TOTAL CURRENT ASSETS	9,925,009	9,502,341
NON-CURRENT ASSETS		
Property, plant and equipment	15,180	15,688
Exploration and evaluation expenditure	501,879	584,037
Deferred tax assets	54,198	2,162
TOTAL NON-CURRENT ASSETS	571,257	601,887
TOTAL ASSETS	10,496,266	10,104,228
CURRENT LIABILITIES		
Provisions	2,068	-
Payables	119,747	368,731
TOTAL CURRENT LIABILITIES	121,815	368,731
NON-CURRENT LIABILITIES		
Provisions	9,188	9,749
Deferred tax liabilities	-	17,401
TOTAL NON-CURRENT LIABILITIES	9,188	27,150
TOTAL LIABILITIES	131,003	395,881
NET ASSETS	10,365,263	9,708,347
EQUITY		
Issued capital	11,880,210	10,130,000
Foreign currency translation reserve	(29,289)	(3,621)
Accumulated losses	(1,485,658)	(418,032)
TOTAL EQUITY	10,365,263	9,708,347

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Economic Entity	
	31.12.06	31.12.05
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,266,638)	(88)
Interest received	276,718	31,330
Net cash inflow/(outflow) from operating activities	(989,920)	31,242
CASH FLOWS FROM INVESTING/FINANCING ACTIVITIES		
Proceeds from issue of shares	1,750,210	8,044,900
Payments for exploration and evaluation	(354,480)	-
Payments for property, plant and equipment	(872)	-
Net cash inflow/(outflow) from investing/financing activities	1,394,858	8,044,900
Net increase in cash held	404,938	8,076,142
Cash at 30 June 2006	9,498,659	8,076,142
Cash at 31 December 2006	9,903,597	8,076,142

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

Economic Entity	Issued Capital	Foreign Currency Translation Reserve	Retained Earnings	Total
	\$	\$	\$	\$
Balance at 1 July 2005	-	-	-	-
Shares issued during the period	130,000	-	-	130,000
Profit (loss) attributable to members of parent entity	-	-	21,869	21,869
Balance at 31st December 2005	130,000		21,869	151,869
Balance at 1st January 2006	130,000		21,869	151,869
Shares issued during the period	10,000,000			10,000,000
Adjustments from translation of foreign controlled entities	-	(3,621)	-	(3,621)
Profit (loss) attributable to members of parent entity	-	-	(439,901)	(439,901)
Balance at 30 June 2006	10,130,000	(3,621)	(418,032)	9,708,347
Balance at 1st July 2006	10,130,000	(3,621)	(418,032)	9,708,347
Shares issued during the period	2,000,000	-	-	2,000,000
Costs associated with share issues	(249,790)	-	-	(249,790)
Adjustments from translation of foreign controlled entities	-	(25,658)	-	(25,668)
Profit (loss) attributable to members of parent entity	-	-	(1,067,626)	(1,067,626)
Balance at 31st December 2006	11,880,210	(29,289)	(1,485,658)	10,365,263

**NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2006**

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, including Accounting Standard AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by K2 Energy Limited and its controlled entity during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2006 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

	Economic Entity	
	31.12.06	31.12.05
	\$	\$
NOTE 2: REVENUE		
Operating activities		
Interest received -other persons	276,718	31,330
TOTAL REVENUE	276,718	31,330

NOTE 3: DIVIDENDS

No dividends were paid during or subsequent to the half year ended 31st December 2006.

NOTE 4: ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND RESTRUCTURINGS

No subsidiaries were acquired or disposed of during the half year ended 31st December 2006.

NOTE 5: DISCONTINUING OPERATIONS

No operations were discontinued during the half-year ended 31st December 2006.

NOTE 6: SEGMENT INFORMATION

Primary Reporting – Business Segments

The economic entity's operations during the period related to investment in oil and gas exploration prospects, which is the only business segment.

Secondary Reporting – Geographical Segments

	Segment Revenues from External Customers		Segment Results Profit/(Loss)	
Geographical location:	31.12.06	31.12.05	31.12.06	31.12.05
	\$	\$	\$	\$
Australia	276,718	31,330	(146,366)	31,242
USA	-	-	(988,629)	-
	276,718	31,330	1,134,995	31,242

4 Directors' recommendation

4.1 Directors of K2 Energy

As at the date of this Target's Statement, the Directors of K2 Energy are:

Name	Position
Robert Kenneth Gaunt	Non-Executive Director
Samuel Gazal	Non-Executive Director
Bruce Moore	Non-Executive Director
Peter Moore	Executive Chairman and Managing Director
Michael Reed	Non-Executive Director
John Thompson	Non-Executive Director

4.2 Directors' recommendation

Your Directors unanimously recommend that you accept the Tomahawk Offer for your K2 Energy Shares and K2 Energy Options, in the absence of a superior proposal.

Your Directors have arrived at their unanimous recommendation for the reasons set out in Section 4.3 of this Target's Statement.

When making the decision whether or not to accept the Tomahawk Offer, you should give careful consideration to the matters set out in this document, as well as your Directors' recommendation. You should also have regard to the material contained in the Bidder's Statement, and the risks to which you will be subject if you become a security-holder in Tomahawk by accepting the Tomahawk Offer.

In particular, K2 Energy security holders should note the disclosures in the Bidder's Statement in relation to Tomahawk's limited cash resources, Tomahawk's stated intention to utilise K2 Energy's cash resources if the merger is successful, the limitations upon Tomahawk doing so in the event that K2 Energy does not become a wholly-owned subsidiary of Tomahawk, and Tomahawk's statement that it is likely to need to raise additional equity to fund its drilling programs.

Your Directors encourage you to have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances. You may wish to seek your own independent financial and taxation advice before making a decision as to whether or not to accept the Tomahawk Offer for your K2 Energy Shares and K2 Energy Options.

4.3 Reasons for recommendation

(a) TOMAHAWK - ASSETS

(i) Resource Potential – Oklahoma Project

The Tomahawk project in Okfuskee County Oklahoma, where Tomahawk holds approximately 3300 net acres, has been evaluated by K2 Energy management and in the company's view the project has upside potential. The Oklahoma project is the principal asset of Tomahawk and was initially undertaken as an unconventional gas play targeting the Caney and Woodford shale gas. The unconventional gas play pursued by Tomahawk was largely unsuccessful due to a number of factors, including insufficient capital and engineering problems with completing the majority of the 28 wells drilled. Other operators in the area have experienced success and longer term with improvements in technology and better access to capital, the unconventional gas play may once again become a primary target.

A subsequent 3D seismic shoot intended to aid the unconventional project has revealed a significant number of highly prospective 3D seismic generated conventional gas targets and confirmed a conventional gas resource behind pipe in the drilled wells. This conventional gas resource represents excellent potential to establish immediate cash flow with relatively moderate expenditure on completions of approximately US\$30,000 per recompletion.

(ii) Bad Creek 3D Seismic Area

Tomahawk participated in a seismic shoot in a 36 sq mile area known as the Bad Creek AMI which is located within its overall acreage position. The seismic data has generated 10 drillable structures to date in conventional known producing formations. A review of the seismic data by Schlumberger has determined a potential resource of 10 - 20 BCF of gas over the AMI area after preliminary interpretation of the seismic data. Tomahawk has a limited interest of between 0% and 5% in the leases applicable to the identified targets, however a farm-in agreement negotiated jointly by Tomahawk and K2 Energy with Metro Energy has reinstated the opportunity for Tomahawk to participate in the drilling program on the Bad Creek AMI, post merger.

(iii) K2/Metro Energy Farm-In Agreement – Bad Creek AMI

On 10 January 2007, K2 Energy and Tomahawk executed a confidentiality agreement as part of the due diligence process in relation to the proposed merger. That confidentiality agreement contained a provision prohibiting K2 Energy from acquiring mineral leases in Okfuskee County, Oklahoma for a period of 2 years, unless otherwise agreed by the parties. Tomahawk has agreed to waive this requirement in relation to the acquisition by K2 Energy of interests in the Bad Creek AMI (outlined further below). In consideration of this waiver, the directors of K2 Energy have agreed not to change their recommendation to accept the Tomahawk Offer and to use their best endeavours to achieve 90% acceptances of the Tomahawk Offer, subject to any fiduciary obligation to act otherwise as a result of a new circumstance of which they became aware on or after 3 April 2007.

As noted in section 2.4(f), K2 Energy has reached agreement with Metro Energy, which holds a significant 1930 acres (approximately) of strategic leases over the identified 3D seismic targets, for K2 Energy to acquire a 50% interest in the Bad Creek AMI leases owned by Metro Energy. In the opinion of K2 Energy, the terms of the farm-in agreement are favourable with K2 Energy reimbursing Metro Energy for lease costs and other expenses in the sum of US\$945,000. In addition, K2 Energy will carry Metro Energy for 25% of Metro/K2 Energy's combined interest in the costs and expenses of drilling the first 4 wells in the Bad Creek AMI. Thereafter, Metro and K2 Energy will participate in future projects within the Bad Creek AMI on a "heads up" basis (each contributing equally).

(iii) K2/Metro Energy Farm-In Agreement – Bad Creek AMI (continued)

However, this agreement will not apply to future opportunities within the Bad Creek AMI until the merger between Tomahawk and K2 Energy becomes unconditional, with Tomahawk gaining over 90% relevant interest and the board of Tomahawk being reconstituted as described in section 4.3(b)(i). In the event that the merger does not proceed for any reason, Metro Energy has the option to repurchase on a lease by lease basis the interests in the Bad Creek AMI, as well as refunding K2 Energy's proportionate share of well costs paid on the Priegel #1-10 and the Patriot #1 – 15 wells, and other related costs.

(iv) Potential

K2 Energy has formed a view that Tomahawk's interest in the Oklahoma project will provide a large number of highly prospective conventional drilling targets generated with 3D seismic data, and will allow for multiple recompletions to establish production revenue from existing wells in which Tomahawk has an interest. There is also significant longer term upside potential with respect to the unconventional Caney and Woodford shale zones once engineering and completion issues have been resolved. Tomahawk holds a 12.5% interest in approximately 27,000 acres of leases prospective for both conventional and unconventional gas resources.

If the proposed merger is successfully completed, K2 Energy believes that its US based management and technical team can combine with the Metro Energy personnel to extract maximum value for shareholders from the Tomahawk assets in Oklahoma

Preliminary meetings between Metro Energy and K2 Energy geologists and management have begun planning a development program for the behind pipe resource and also a drilling program on the seismic targets within the Bad Creek AMI. Drilling and recompletions of the existing wells will commence immediately the merger is completed.

(v) Summary

In summary, K2 Energy believes that the Oklahoma project will provide for the merged entity the following benefits:

1. Immediate cash flow from existing Tomahawk production and additional cash flow from uphole recompletions of conventional zones identified in existing wells.
2. Numerous prospective drill targets within the Bad Creek AMI available for immediate drilling.
3. Potential to generate further drill targets from additional processing 3D data.
4. Significant longer term potential in the Caney and Woodford shales.
5. A substantial and focused project on which to apply the technical and financial resources of K2 Energy.
6. A large and valuable lease-holding with significant upside and expansion opportunities.
7. A strategic partnership with Metro Energy, an experienced and highly regarded Oklahoma operator with a significant lease and land management division essential to continued expansion.

(b) OTHER MATTERS

(i) Management/Board control post merger

Upon 90% acceptance of the Tomahawk Offer by the K2 Energy shareholders and the Tomahawk Offer becoming unconditional, three members of the current of the K2 Energy board, Peter Moore, Sam Gazal, and Ken Gaunt will be appointed to the Board of Tomahawk and current Tomahawk directors Anthony Brennan and Gary Ralston will resign. Robert Rosenthal and Frank Brophy will remain as a Tomahawk directors. The current Executive Chairman and CEO of K2 Energy, Peter Moore, will be appointed CEO of Tomahawk.

(ii) Name Change

Post merger it is intended to seek shareholder approval that the name of Tomahawk Energy Limited will be changed to K2 Energy Limited.

(iii) Effect of Merger on K2 Energy's existing operations

The proposed merger presents an opportunity for K2 Energy to expand its current operations by providing additional drilling targets at an attractive entry price and on a largely unpromoted basis, over and above the current higher risk, mainly wildcat drilling projects in which the company is involved. K2 Energy will continue to identify and evaluate further drilling opportunities in its defined areas of interest in Illinois, Alabama, Louisiana and South Texas.

K2 Energy securityholders who accept the Offer will have the opportunity to participate in a company with a more balanced exploration strategy (arising from the cash flow to be generated from existing Tomahawk production and easily accessed behind pipe resources) than would otherwise be the case if they remained K2 Energy securityholders. Tomahawk's Oklahoma project also provides an opportunity to focus exploration activities on a larger project in a defined lease area that has potential for multiple wells to be drilled. The project area has historical oil and gas production from shallow zones and Tomahawk's 3D seismic program has defined many deeper conventional gas targets that to date have been largely undrilled due to seismic data being unavailable.

The successful merger of Tomahawk and K2 Energy will convert K2 Energy into an oil and gas producer with exposure to exploration acreage with significant upside for both conventional and unconventional gas exploration.

(C) NO SUPERIOR PROPOSAL HAS BEEN ANNOUNCED

As at the date of this Target's Statement, no superior proposal to the Tomahawk Offer has been announced.

5 Choices for K2 Energy Shareholders and Optionholders

K2 Energy encourages you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your K2 Energy Shares and K2 Energy Options.

You have the following alternatives as a Shareholder:

5.1 Accept the Offer

If you wish to accept the Offer, you should follow the instructions set out in Section 9.4 of the Bidder's Statement, and on the acceptance form contained therein. Your valid acceptance must be received before 5pm WST on 23rd May 2007 unless the Offer is extended or withdrawn.

The consequences of accepting the Offer are set out in Section 9.5 of the Bidder's Statement.

In particular, if you accept the Offer you will not be able to sell your K2 Energy Shares on the market unless, at the time you decide you no longer wish to accept the Offer, you have the right to withdraw your acceptance. If the conditions to the Offer are not satisfied or waived, or if Tomahawk withdraws the Offer, you will retain your K2 Energy Shares and have the ability to sell your K2 Energy Shares on the market or into a subsequent offer, if one is made.

5.2 Not accept the Offer

If you wish to not accept the Offer and retain your K2 Energy Shares, you do not need to take any action.

If you do not accept the Offer and Tomahawk becomes entitled to compulsorily acquire your K2 Energy Shares under the Corporations Act as it intends to do, you may be paid later than Shareholders who choose to accept the Offer.

Further, if the Offer is successful (in that the Offer is declared or becomes unconditional) but Tomahawk does not become entitled to compulsorily acquire your K2 Energy Shares, you will remain a Shareholder and the liquidity of your K2 Energy Shares may be adversely affected.

5.3 Sell your K2 Energy Shares on the market

During a takeover, shareholders in a target company can still sell their shares on the market for cash.

If you wish to sell your K2 Energy Shares on the market, you will receive a cash amount according to the prevailing market value of your K2 Energy Shares, less any brokerage payable. You will, however, lose the right to participate in the Offer including any subsequent increase in the Offer consideration.

Please note that you cannot sell your K2 Energy Shares on the market if you have accepted the Offer and have not validly withdrawn your acceptance.

If you are considering selling your K2 Energy Shares on the market, you should contact your broker for information on how to do so and your tax adviser to determine your tax implications from such a sale. The price for K2 Energy Shares can be obtained from the ASX website www.asx.com.au (subject to a 20 minute delay).

You have the following alternatives as an Optionholder:

5.4 Accept the Offer

If you wish to accept the Offer, you should follow the instructions set out in Section 10.4 of the Bidder's Statement, and on the acceptance form contained therein. Your valid acceptance must be received before 5pm WST on 23 May 2007 unless the Offer is extended or withdrawn.

The consequences of accepting the Offer are set out in Section 10.5 of the Bidder's Statement.

In particular, if you accept the Offer you will not be able to sell your K2 Energy Options on the market unless, at the time you decide you no longer wish to accept the Offer, you have the right to withdraw your acceptance. If the conditions to the Offer are not satisfied or waived, or if Tomahawk withdraws the Offer, you will retain your K2 Energy Options and have the ability to sell your K2 Energy Options on the market or into a subsequent offer, if one is made.

5.5 Not accept the Offer

If you wish to not accept the Offer and retain your K2 Energy Options, you do not need to take any action.

If you do not accept the Offer and Tomahawk becomes entitled to compulsorily acquire your K2 Energy Options under the Corporations Act as it intends to do, you may be paid later than Optionholders who choose to accept the Offer.

Further, if the Offer is successful (in that the Offer is declared or becomes unconditional) but Tomahawk does not become entitled to compulsorily acquire your K2 Energy Options, you will remain an Optionholder and the liquidity of your K2 Energy Options may be adversely affected.

5.6 Sell your K2 Energy Options on the market

During a takeover, shareholders in a target company can still sell their options on the market for cash.

If you wish to sell your K2 Energy Options on the market, you will receive a cash amount according to the prevailing market value of your K2 Energy Options, less any brokerage payable. You will, however, lose the right to participate in the Offer including any subsequent increase in the Offer consideration.

Please note that you cannot sell your K2 Energy Options on the market if you have accepted the Offer and have not validly withdrawn your acceptance.

If you are considering selling your K2 Energy Options on the market, you should contact your broker for information on how to do so and your tax adviser to determine your tax implications from such a sale. The price for K2 Energy Options can be obtained from the ASX website www.asx.com.au (subject to a 20 minute delay).

6 Additional Information

6.1 K2 Energy securities on issue

As at the date of this Target's Statement, K2 Energy has 86 million K2 Energy Shares on issue.

As at the date of this Target's Statement, K2 Energy has 56 million K2 Energy Options to acquire K2 Energy Shares on issue.

6.2 K2 Energy's substantial holders

K2 Energy's only current substantial holder is:

Substantial Shareholder	Shares	Options over ordinary shares
Edward Meadows Pty Limited (as Trustee for the Moore Investment Trust)	18,500,000	18,500,000

6.3 Directors' interests in K2 Energy

As at the date of this Target's Statement, K2 Energy's Directors have the following relevant interest in K2 Energy securities.

Director	Shares	Options over ordinary shares
Robert Kenneth Gaunt	4,250,000	2,375,000
Samuel Gazal	3,250,000	2,250,000
Peter Moore	18,500,000	18,500,000
Bruce Moore	18,500,000	18,500,000
Michael Reed	3,000,000	3,000,000
John Thompson	1,250,000	1,250,000

6.4 Dealings in K2 Energy shares

There have been no acquisitions or disposals of shares in K2 Energy, by any Director or Associate of K2 Energy in the period commencing on 23 December 2006 (being the date which is four months prior to the date of the Tomahawk Offer) and ending on the day immediately before the date of this Target's Statement.

6.5 Directors' interests in Tomahawk

None of the Directors has any interest in Tomahawk or any Related Body Corporate of Tomahawk.

6.6 Dealings in Tomahawk

There have been no acquisitions or disposals of shares in Tomahawk, or any Related Body Corporate of those companies, by K2 Energy or any Director of K2 Energy in the period commencing on 23 December 2006 (being the date which is four months prior to the date of the Tomahawk Offer) and ending on the day immediately before the date of this Target's Statement.

6.7 Benefits to Directors

No Director has agreed to receive, or is entitled to receive, any benefit from K2 Energy, a Related Body Corporate of K2 Energy, or Tomahawk which is conditional on, or is related to, the Tomahawk Offer, other than in their capacity as a holder of K2 Energy Shares.

As a result of the Tomahawk Offer, no benefit has been, or will be, given to a person:

- (a) in connection with the retirement of a person from a board or managerial office in K2 Energy or a Related Body Corporate of K2 Energy; or
- (b) who holds, or has held a board or managerial office in K2 Energy or a Related Body Corporate, or a spouse, relative or Associate of such person, in connection with the transfer of the whole or any part of the undertaking of property of K2 Energy,

which would require approval of K2 Energy Shareholders under section 200E of the Corporations Act.

6.8 Agreements with Directors in connection with the Tomahawk Offer

Other than as noted above, no agreement has been made between any Director and any other person in connection with or conditional on the outcome of the Tomahawk Offer other than in their capacity as a holder of K2 Energy Shares or Options.

6.9 Directors' interests in contracts

No Directors or any of their respective Related Bodies Corporate have an interest in any contract entered into in relation to the Tomahawk Offer, other than by virtue of being a shareholder or optionholder.

There are no material contracts to which K2 Energy or its subsidiaries are a party under which any adverse consequences will arise as a result of Tomahawk gaining control of K2 Energy.

6.10 Officers' Indemnities

K2 Energy's constitution and separate deeds of indemnity provide, amongst other things, that to the full extent permitted by law, K2 Energy indemnifies every person who is or has been an Officer, auditor and agent of K2 Energy against:

- any liability for costs and expenses incurred
 - (i) in defending proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted; or
 - (ii) in connection with an application, in relation to those proceedings, in which the court grants relief to the person under the Corporations Act
- any liability to a person other than K2 Energy or a Related Body Corporate, unless the liability arises out of conduct involving a lack of good faith; and
- any liability as otherwise permitted by section 199B of the Corporations Act.

6.11 Material litigation

K2 Energy Limited is not a party to any material litigation at the date of this Target Statement.

6.12 No material changes in financial position of K2 Energy

There has been no material change to the financial position of K2 Energy since 31 December 2006, being the date of the half-yearly financial statements.

6.13 Recent Announcements

Listed below are the K2 Energy company announcements released since the 2006 Annual Report was released on 15 November 2006:

30/4/2007 Third Quarter Cashflow Report
30/4/2007 Third Quarter Activities Report
26/04/07 Strategic Lease Agreement signed
26/04/07 Trading Halt
10/04/2007 Drilling Update
10/04/2007 THK ann: Bidder's Statement - Off-market bid
29/03/2007 Merger Update
29/03/2007 K2 Energy to Merger with Tomahawk - Revised Terms
21/03/2007 Project update
16/03/2007 Half Yearly Report & Half Year Accounts
23/02/2007 THK ann: Tomahawk to Merge with K2 Energy Limited
23/02/2007 Merger K2 Energy Limited with Tomahawk Energy Limited
23/02/2007 Trading Halt
31/01/2007 Second Quarter Cashflow Report
31/01/2007 Second Quarter Activities Report
24/01/2007 Reinstatement to Official Quotation
23/01/2007 Suspension from Official Quotation
19/01/2007 Trading Halt
30/11/2006 Results of AGM
21/11/2006 Project Update
16/11/2006 Becoming a substantial holder
16/11/2006 Initial Director's Interest Notice
16/11/2006 Initial Director's Interest Notice
16/11/2006 Initial Director's Interest Notice
16/11/2006 Initial Director's Interest Notice
16/11/2006 Initial Director's Interest Notice
15/11/2006 Appendix 1A - ASX Listing application & agreement
15/11/2006 Constitution
15/11/2006 Terms of Options

These announcements can be located on ASX website at www.asx.com.au.

6.14 Taxation

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances.

The discussion of the tax implications in Section 8 of the Bidder's Statement is not intended to be an authoritative or complete statement of the law applicable to any given Shareholder or Optionholder. Your income tax and capital gains tax liabilities will depend on your personal circumstances and the decisions you make. It is strongly recommended that you seek independent advice in regard to your personal situation.

Neither K2 Energy nor any of its Officers or advisers accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences themselves.

6.15 No other material information

This Target's Statement is required to include all the information that you and your professional advisers would reasonably require to make an informed assessment of whether or not to accept the Tomahawk Offer, but:

- only to the extent to which it is reasonable for you and your professional advisers to expect to find this information in the Target's Statement; and
- only if the information is known to any of your Directors.

Your Directors are of the opinion that the information that you and your professional advisers would reasonably require to make an informed assessment of whether or not to accept the Tomahawk Offer is in:

- the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- K2 Energy's Annual Reports and releases to the ASX and documents lodged by K2 Energy with ASIC before the date of this Target's Statement; and
- this Target's Statement.

In deciding what information should be included in the Target's Statement, your Directors have had regard to:

- the nature of the K2 Energy Shares and K2 Energy Options;
- the matters that you as an K2 Energy Shareholder and K2 Energy Optionholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to your professional advisers; and
- the time available to K2 Energy to prepare this Target's Statement.

Your Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the bidder's statements is accurate. Your Directors do not take any responsibility for the contents of the bidder's statements and are not to be taken as endorsing, in any way, any or all statements contained in it, except those statements that are attributed to K2 Energy or your Directors.

6.16 Consents

This Target's Statement contains statements made by, or statements based on statements made by Aspen Energy, Inc., Balandier Pty Limited, Blazzed Pty Limited (as trustee for The Gaunt Management Trust), Edwards Meadows Pty Limited (as trustee for The Moore Investment Trust), Hyperion Capital Pty Limited and Timbina Pty Limited.

Each of those persons has consented to the inclusion of:

- (a) each statement they have made; and
- (b) each statement which is based on a statement they have made,

in this Target's Statement in the form and context in which those statements appear and has not withdrawn that consent before this Target's Statement was lodged with ASIC.

6.17 Publicly available information

This Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX by K2 Energy and Tomahawk. These documents include ASX announcements made by each of these persons, the Bidder's Statement, the K2 Energy Annual Report and the K2 Energy Half-Yearly Report. As permitted by ASIC Class Order 01/1543, the consent of K2 Energy, K2 Energy's auditor, and Tomahawk is not required for the inclusion of statements from such documents in this Target's Statement. A copy of the above documents can be obtained from K2 Energy free of charge during the offer period for the Tomahawk Offer.

7 Date and authorisation

This Target's Statement has been approved by a resolution passed by the Directors.

This Target's Statement is dated 2nd May 2007 which is the date on which it was lodged with ASIC.

Signed for and on behalf of K2 Energy Limited.



Peter Moore
Executive Chairman and Managing Director

8 Glossary and interpretation

8.1 Definitions and Interpretation

(a) Definitions

In this Target's Statement, unless the context requires otherwise:

ASIC means Australian Securities and Investments Commission.

Associate has the meaning given in the Corporations Act.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

Bad Creek AMI means the area of mutual interest in the proposed seismic area of lands and leases owned or obtained by Metro Energy in Township 10 North-Range 12 East, Okfuskee County, Oklahoma, and one section (one mile) bordering said township, with the exception of those sections referred to as the "Snell Lease Area" in Section 13 in T10N-R11E and Sections 16, 17, 18 and 19 in T10N-R12E, Okfuskee County, Oklahoma which are excluded.

Bidder's Statement means the bidder's statement lodged by Tomahawk with ASIC on 5 April 2007.

Business Day means a day on which the banks are open for business in Sydney, other than a Saturday, Sunday or public holiday.

CEO means Chief Executive Officer.

CGT means capital gains tax.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of K2 Energy.

K2 Energy means K2 Energy Limited (ACN 115 310 560).

K2 Energy Options or **Options** means options to subscribe for K2 Energy Shares.

K2 Energy Shares or **Shares** means fully paid ordinary shares in the capital of K2 Energy.

K2 Energy Shareholder or **Shareholder** means a person registered in the register of members of K2 Energy as a holder of K2 Energy Shares.

Metro Energy means Metro Energy Group, Inc., Louisiana corporation, domesticated to do business in Oklahoma, with its mailing address at Southbridge Office Park, 1741 East 71st Street, Tulsa, Oklahoma 74136 USA,

Officer means a director, alternate director, managing director, deputy managing director, executive director, associate director, secretary or assistant secretary.

Related Body Corporate has the meaning given to that term in the Corporations Act.

Target's Statement means this document, being the statement of K2 Energy under Part 6.5 Division 3 of the Corporations Act.

Tomahawk means Tomahawk Energy Limited ACN 106 609 143.

Tomahawk Offer means the takeover offer by Tomahawk Energy Limited (ACN 106 609 143) for all of the K2 Energy Shares, on the terms and conditions set out in the Bidder's Statement.

Tomahawk Offer price means the consideration under the Tomahawk Offer.

WST means Australian Western Standard Time.

(b) Interpretation

In this Target's Statement, unless the context requires otherwise:

- (c) all words and statements in this Target's Statement have the meanings given to them in the Corporations Act;
- (d) words importing the singular include the plural and the plural include the singular and any gender include the other genders;
- (e) an obligation of two or more parties binds them jointly and severally;
- (f) if a word or phrase is defined other parts of speech and grammatical forms of that word or phrase have corresponding definitions;
- (g) a person includes a corporation and a government or statutory body or authority;
- (h) a person includes the legal personal representatives, successors and permitted assigns of that person;
- (i) a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them made by any legislative authority;
- (j) time is Sydney time;
- (k) a right includes a remedy, authority or power;
- (l) unless otherwise specified, "\$" is a reference to the lawful currency of Australia; and
- (m) headings do not affect the interpretation of this Target's Statement.

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CORPORATE DIRECTORY

Registered Office

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Telephone: (02) 9251 3311
Facsimile: (02) 9251 6550

Directors

Robert Kenneth (Ken) Gaunt, Non-executive Director
Samuel Gazal, Non-executive Director
Peter Moore, Executive Chairman & Managing Director
Professor Bruce Moore, Non-executive Director
Mike Reed, Non-executive Director
John Thompson, Non-executive Director

Company Secretary

Terence Flitcroft

Legal Advisors

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Share Registry

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Auditors

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