



## **TWO NEW DISCOVERY WELLS**

The Directors of merger partners Tomahawk Energy Limited (THK), and K2 Energy Limited (KTO) are pleased to announce that both companies have participated in the drilling of two discovery wells, the Priegel #1-10 and Patriot #1-15, on the Bad Creek AMI project area in Okfuskee County, Oklahoma.

These wells were the first wells drilled on the recently acquired 3D seismic data and this exploration success endorses the Tomahawk exploration strategy adopted following the review by Schlumberger of the 3D seismic data in late 2006. The results to date provide further encouragement for future exploration drilling in the Bad Creek project area.

On the basis that the merger is concluded as expected, the merged group's combined interest in the wells post merger will be as outlined below.

### **Priegel # 1-10**

Tomahawk's working interest 4.427% (3.320% NRI) and K2 Energy's working interest 28.559% (22.847% NRI) giving a combined working interest of 32.9% (26.167% NRI)

The Priegel #1-10 was spudded on 29 March and reach a total depth of 4585 feet on 13 April. The prospect is a combination structural/stratigraphic trap that is well defined on the 3D seismic data. Significant gas shows were encountered while drilling and electric logs indicate probable hydrocarbon pay in 4 zones and possible hydrocarbon pay in two shallow zones. After the analysis the electric log data the decision was made to set 5 ½ inch casing to 4140 feet. The testing of well has been delayed due to severe weather in the area.

### **Patriot # 1-15**

Tomahawk's working interest 6.6014% (4.951% NRI) and K2 Energy's working interest 6.042% (4.834% NRI) giving a combined working interest of 12.64% (10.993% NRI).

The Patriot #1-15 was spudded on 16 April and reached a total depth of 4,410 feet on 4 May. The prospect is relatively large covering over 300 acres of structural closure that is well defined on the 3D data set. Significant oil and gas shows were encountered while drilling and electric logs indicate probable hydrocarbon pay in 7 zones and possible hydrocarbon pay in two other zones.

The early drilling success with the Priegel and Patriot Wells is very encouraging and confirms the prospectivity of the Bad Creek 3D seismic project area, on which multiple additional drilling targets have been identified.

K2 Energy has separately acquired its interest in the Priegel and Patriot wells, by agreement with Metro Energy Group and subject to the merger being successfully completed and K2 Energy assuming Board control of Tomahawk Energy.

As announced in November 2006, the Tomahawk commissioned Schlumberger to carry out a review of the recently acquired 3D seismic data. This review identified a number of highly prospective drilling targets in the conventional formations. Following this review the Tomahawk Board took a decision to focus on exploiting these conventional targets, as they offered the best potential to increase production and cash flow in the short term. The attraction of the deeper unconventional shales remains but the focus on these will be in the medium term.

The drilling success also highlights the parallel strategy the company is running of merging with K2 Energy Limited. K2 Energy brings approximately \$9m in cash reserves to the merger, providing adequate funding to aggressively explore these targets, as well as develop the discovered reserves sitting "behind pipe". With US gas prices near US\$8.00/mcf this represents an attractive commercial proposition.

The merger of Tomahawk Energy and K2 Energy is well underway and the directors of K2 Energy have unanimously recommended shareholders to accept the Tomahawk offer, in the absence of a superior offer. The offer period closes on 23 May.

The merger of K2 Energy and Tomahawk is a key development for both companies, as the combined group has been able to increase the combined participating interests in the Bad Creek project area and pursue a more aggressive exploration and development program, due to K2's strong financial position and its US based management expertise.

Should you have any queries regarding this announcement or any other matters relating to either company please contact the undersigned, Tony Brennan on +61 8 9223 9811 or Peter Moore on +61 2 92513311.

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