Tomahawk Energy Limited

(ABN 99 106 609 143)

Half Year Report

31 December 2006

Company Directory

Executive Chairman

Tony Brennan

Non-Executive Directors

Frank Brophy

Garry Ralston

Robert Rosenthal

Company Secretary

Kent Hunter

Principal and Registered Office

Floor 25 Exchange Plaza,

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PERTH WA 6000

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Auditors

Stantons International

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WEST PERTH WA 6005

Share Registrar

Advanced Share Registry Services

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NEDLANDS WA 6009

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Stock Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Code: THK and THKO

Contents

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Tony Brennan	Chairman
Frank Brophy	Non executive Director
Garry Ralston	Non executive Director
Robert Rosenthal	Non executive Director

Review of Operations

During the six months under review a number of developments have been made in the company's oil and gas project in Oklahoma, USA, including the following:

Participation in a major 3D seismic survey that has provided detailed information of the subsurface geology around our discovery wells.

Armed with this 3D seismic information the company appointed one of the world's leading petroleum services companies, Schlumberger Technology Services to carry out an Independent Review of the reserves and production potential of its existing 18 wells.

The Schlumberger work however only covers around 50% of those wells operated that being those that lie within the 3D seismic survey area, hence there is significant upside to Schlumberger's resource estimates outlined below when all of the company's wells and acreage are taken into account.

The Schlumberger analysis does not include the deeper unconventional gas shale formations as these were covered by the independent review carried out by Gaffney Cline & Associates in December 2005 (ASX announcement 21 December 2005.)

The highlights of the Schlumberger review of the 3D seismic area where Tomahawk has a Net Revenue Interest ranging from 37.50 –71.50 % are as follows:

- A substantial gross gas resource of 10-20 billion cubic feet ("Bcf") has been estimated from 14 wells in the review area. This is effectively the gas "behind pipe" which the company has reported for the past 2 years and has now been quantified.
- This Schlumberger evaluation has only been completed on 14 out of 28 wells where Tomahawk is a participant, hence Tomahawk's total resource from all its wells, including its exploration acreage, could be significantly higher than Schlumberger's estimates.
- Ten high quality prospects with gross reserves potential of more than 22 Bcf have been delineated from the new 3D seismic. Tomahawk has various land holdings and interest levels across these prospects.
- One of these 10 high quality prospects is in fact an appraisal project which has the potential to contain a gross 14.4 Bcf. Tomahawk has already participated in two successful wells drilled on this structure with confirmed gas zones. Tomahawk has an interest with varying degrees of equity in this prospect.
- An additional 20 plus prospects have also been delineated within the 3D seismic area.
- Analogue fields adjoining Tomahawk's discoveries and prospects confirm the productivity and reserves potential of the work performed by Schlumberger.

Total Resources

The resource potential identified by Schlumberger as part of this review, combined with the potential residing outside the 3D seismic area, are in addition to the resource potential that was identified and reported by Gaffney Cline & Associates (GCA) and announced in December 2005.

GCA's estimates were of the deeper unconventional Shales whereas the current Schlumberger work is solely based on the more shallow conventional resources where it estimates 10-20Bcf.

In addition to both GCA's resource estimates and those of Schlumberger there are also the ten high quality prospects with gross reserves potential of more than 22 Bcf. Tomahawk has varying interest levels in this potential across numerous licenses.

The combination of all this resource potential represents a significant prize for the company to pursue.

REDUCED ACRES AND SHARES ON ISSUE

During the half the Board carried out a strategic review of the Tomahawk's participation in the Oklahoma play.

The conclusions reached from this review were driven by what the board, who are all share holders, consider to be in the best interest of all shareholders and a desire to stay committed to the play in which we were one of the earliest participants and one that still holds tremendous focus from the US petroleum industry, even if the Australian equity markets do not.

The board's principle considerations were:

- The $0.385m invested to participate in an extensive 3D seismic survey did not cover any of the leases over which options were held by Tomahawk. The seismic does however cover a significant portion of the leases in which Tomahawk has a 12.5% interest. It was clear that 3D seismic is a major key to the success of the play particularly considering that the majority of wells drilled in the future will be horizontal.
- Gas sales lines and infrastructure generally in the township where the options exist is not extensive.
- It is considered the most prudent use of capital to focus on wells already paid for. The Schlumberger review was expected to, and did, provide the detailed volumetric information required to develop a plan to increase production from existing wells and hence revenue without considerable additional capital expenditure.
- The dilutive effect of raising circa $20m to exercise the options and drill the 21 wells as per the original agreement.
- The impact of reducing acres would have on the estimated contingent resources as reported by GCA last year.

The major outcomes of this review were:

- That the company should remain totally committed to the Oklahoma gas play.
- That given the current share price, decisions taken should focus on prudent use of capital to avoid further dilutive capital raisings.
- The commissioning of Schlumberger review to carry out a detailed review of the production potential in both conventional and unconventional formations as outlined above.
- That the company should participate in drilling programs with shale-experienced major operators. This has always been a major part of the strategy, however it is now considered by the Board to be the only strategy to ensure that the best results are achieved.
- The option over the gas gathering system was not a core part of the direction forward and was allowed to lapse as the capital required to acquire it would be better dedicated to exploration and the revenue potential from the system was minimal.

In execution of the second strategy the Board decided to cancel the agreement with Metro. In October 2004, Tomahawk acquired the option to participate in 5 separate drilling programs each of 1,000 acres and requiring Tomahawk to drill 6 wells per program for a total of 30 wells.

As a consequence of this we have mutually agreed with Metro to cancel the requirement for Tomahawk to drill a further 21 wells, at an estimated cost of circa $20m and in return 9 million shares issued to Metro Energy to participate in these drilling programs would be cancelled.

Following this cancellation the company has approximately 66.7m shares on issue.

Rounding of Amounts

The consolidated entity has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest $1, unless otherwise indicated.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Stanton International, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2006.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Tony Brennan

Executive Chairman

Dated this 16th day of March 2007.

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16 March 2007

Board of Directors
Tomahawk Energy Limited
Level 25, Exchange Plaza
2 The Esplanade
Perth WA 6000

Dear Directors

RE: TOMAHAWK ENERGY LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Tomahawk Energy Limited.

As Audit Director for the review of the financial statements of Tomahawk Energy Limited for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTONS INTERNATIONAL
(Authorised Audit Company)

John Van Dieren
Director

Member of Russell Bedford International
Russell Bedford

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

		Consolidated	
	Notes	2006 $	2005 $
Revenue	2	558,271	1,456,529
Direct cost of sales		(350,531)	(453,754)
Amortisation	2	(1,108,101)	(895,342)
Gross profit/(loss) from operations		(900,361)	107,433
Other revenue from activities		37,279	91,855
Administration		(70,389)	(95,107)
Consultants		(306,044)	(37,211)
Foreign exchange differences		(1,381,113)	389,023
Legal		(8,073)	(11,441)
Listing expenses		(44,560)	(52,101)
Marketing		(21,225)	(10,900)
Payments to Directors		(109,637)	(121,213)
Travel		(28,768)	(69,131)
Loss before income tax expense	2	**(2,832,891)**	**(191,207)**
Income tax expense	7	(405,953)	-
Net loss for the period		**(3,238,844)**	**(191,207)**
Net loss attributable to members of parent		**(3,238,844)**	**(191,207)**
Basic earnings per share (cents per share)		**(3.8)**	**(0.3)**

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	Consolidated 31 Dec 2006 $	Consolidated 30 June 2006 $
Assets			
Current Assets			
Cash and cash equivalents		659,372	2,248,898
Trade and other receivables		219,936	338,970
Total Current Assets		879,308	2,587,868
Non-Current Assets			
Exploration, evaluation and development costs		19,234,879	26,553,735
Total Non-Current Assets		19,234,879	26,553,735
Total Assets		20,114,187	29,141,603
Liabilities			
Current Liabilities			
Trade and other payables		271,627	1,183,354
Provisions		10,841	9,539
Provision for tax	7	405,953	-
Total Current Liabilities		688,421	1,192,893
Total Liabilities		688,421	1,192,893
Net Assets		19,425,766	27,948,710
Equity			
Issued capital	3	25,234,433	30,634,433
Reserves	5	2,291,700	2,175,800
Accumulated losses		(8,100,367)	(4,861,523)
Total Equity		19,425,766	27,948,710

The accompanying notes form part of these financial statements

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

	Consolidated				
	Foreign Reserve	Issued Capital	Accumulated Losses	Option Reserve	Total
	$	$	$	$	$
Balance at 1 July 2005	-	16,003,755	(3,427,029)	2,078,300	14,655,026
Foreign translation reserves	7,455	-	-	-	7,455
Shares issued during the half year	-	15,226,645	-	-	15,226,645
Transaction costs	-	(474,287)	-	-	(474,287)
Profit attributable to members	-	-	191,207	-	191,207
Balance at 31 December 2005	7,455	30,756,113	(3,235,822)	2,078,300	29,606,046
Balance at 1 July 2006	(7,500)	30,634,433	(4,861,523)	2,183,300	27,948,710
Foreign translation reserves	115,900	-	-	-	115,900
Shares issued during the half year	-	-	-	-	-
Shares cancelled during the half year	-	(5,400,000)	-	-	(5,400,000)
Loss attributable to members	-	-	(3,238,844)	-	(3,238,844)
Balance at 31 December 2006	108,400	25,234,433	(8,100,367)	2,183,300	19,425,766

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated 2006 $	Consolidated 2005 $
Cash flows from operating activities			
Receipts from customers		595,336	1,026,417
Payments to suppliers and employees		(644,246)	(352,033)
Interest received		51,498	91,744
Net cash provided by/(used in) operating activities		2,588	766,128
Cash flows from investing activities			
Payments for exploration and evaluation		(1,571,561)	(3,537,381)
Purchase of exploration assets		-	(1,760,050)
Net cash provided by/(used in) investing activities		(1,571,561)	(5,297,431)
Cash flows from financing activities			
Proceeds from issue of shares		-	7,607,291
Net cash provided by/(used in) financing activities		-	7,607,291
Net increase/(decrease) in cash and cash equivalents held		(1,568,973)	3,075,988
Cash and cash equivalents at beginning of period		2,248,897	802,882
Effect of exchange rate changes		(20,552)	25,763
Cash and cash equivalents at end of reporting period		659,372	3,904,633

The accompanying notes form part of these financial statements

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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 Tomahawk Energy Limited and its subsidiary during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The company is a company of a kind referred to in ASIC Class Order 98/0100 and accordingly amounts in the directors' report and the half-year financial report are rounded off to the nearest dollar, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006.

In the half-year ended 31 December 2006, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The financial statements have been prepared on a going concern basis as the Company considers that it can raise further working capital and it is expected that positive cash flows will result from exploitation of its oil and gas assets in the USA being operated by its subsidiary.

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

NOTE 2: PROFIT BEFORE INCOME TAX EXPENSE

	Consolidated	
	31 December 2006 $	31 December 2005 $
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Interest revenue	37,279	91,855
Oil sales revenue	558,271	1,456,529
Amortisation expense	1,108,101	895,342

NOTE 3: ISSUED CAPITAL

	Consolidated	
	31 December 2006 $	30 June 2006 $
(a) Ordinary shares		
Issued and fully paid	25,234,433	30,634,433

	No.	$
Movements in ordinary shares on issue		
At 1 July 2006	75,494,827	30,634,433
Movement during the period	-	-
Cancellation of 9,000,000, shares	(9,000,000)	(5,400,000)
At 31 December 2006	66,494,827	25,234,433

(b) Options

At 31 December 2006, there were 16,298,000 un-issued ordinary shares for which options were outstanding.

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

NOTE 4: PRIOR PERIOD ADJUSTMENTS

The Company has restated its comparative information in respect of the balance sheet as at 30 June 2006 and the income statement and statement of cash flows for the six months ended 31 December 2005. The prior period adjustments resulted from the recognition in the parent entity of acquisition costs, exploration expenditure, revenues and the costs attributable to exploration assets which have been the subject of transfers to the parent entity's wholly owned subsidiary THK Energy (USA) Inc from 1 October 2005. In accordance with AASB 108 – Accounting Policies Changes in Accounting Estimates and Errors, the comparative financial statements have been restated. Details of the restatements are as follows:

31 December 2005	Consolidated		
	Reported Balance	Adjustment	Re-instated Balance
	$	$	$
Revenue	1,464,216	(7,687)	1,456,529
Cost of sales	456,173	(2,419)	453,754
Amortisation	897,790	(2,448)	895,342
Unrealised foreign exchange gain/(losses)	25,763	363,260	389,023
Deferred exploration, evaluation and development costs	25,131,097	367,894	25,498,991
Foreign currency translation reserves	-	(7,457)	(7,457)
Accumulated losses	3,596,262	(360,440)	3,235,822
Net assets	29,238,151	367,895	29,606,046

30 June 2006	Consolidated		
	Reported Balance	Adjustment	Re-instated Balance
	$	$	$
Unrealised foreign exchange gain/(losses)	-	(470,333)	(470,333)
Deferred exploration, evaluation and development costs	26,095,766	457,969	26,553,735
Foreign currency translation reserves	-	7,500	7,500
Accumulated losses	5,326,991	(465,468)	4,861,523
Net assets	27,490,742	457,967	27,948,709

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

NOTE 5: RESERVES

	Consolidated	
	31 December 2006 $	30 June 2006 $
Option Reserves	2,183,300	2,183,300
Foreign Currency Translation Reserves	108,400	(7,500)
	2,291,700	2,175,800

NOTE 6: SEGMENT REPORTING

Geographical segments

The following table presents the revenue and profit information regarding geographical segments for the half-year periods ended 31 December 2006 and 31 December 2005.

	Continuing operations		
	Australia $	USA $	Total $
31 December 2006			
Segment revenue	-	558,271	558,271
Segment results	(582,864)	(2,250,027)	(2,382,891)
31 December 2005			
Segment revenue	751,760	742,048	1,456,529
Segment results	(444,325)	635,532	191,207

NOTE 7: CONTINGENT LIABILITIES

As detailed in Note 4 to the financial statements, the Company has restated comparatives in relation to an adjustment in recognition of certain elements of the financial statements. The Company has recognized a potential liability in relation to the restatement of balances in relation to withholding taxes that may be payable by the Group due to the error. The Company estimates that there may be a withholdings tax payable to the US Internal Revenue Service of US$320,000 (AUS$405,953). The Company believes this amount may be recoverable against income tax deductions and recoverable upon lodgement of its Australian and US income tax returns.

As reported previously, by a consultancy agreement, the Company will, subject to satisfaction of production milestones below, be required to grant Carpinteria (or its permitted nominee) the following Technical Consultant Options, pursuant to shareholders approval obtained on 28 March 2005:

- 3,285,000 Technical Consultant Options, but only if net production attributable to the Company from the Prospect Area exceeds 1.0 million cubic feet of gas per day or the equivalent in liquids; and
- 2,000,000 Technical Consultant Options, but only if net production attributable to the Company from the Prospect Area exceeds 5.0 million cubic feet of gas per day or the equivalent in liquids.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

1. As reported in the company's 2006 annual report, under the agreement with Metro in October 2004, Tomahawk acquired the option to participate in 5 separate drilling programs each of 1,000 acres and requiring Tomahawk to drill 6 wells per program for a total of 30 wells. 1.5 drilling programs had been completed as at 30 June 2006.

   Tomahawk re-negotiated the agreement with Metro cancelling the requirement for the Company to drill a further 21 wells and that subject to shareholder approval Metro will return 9 million shares in Tomahawk via a selective buy-back of shares. Metro will retain its earned 6 million shares which remain escrowed until February 2007.

   Shareholder approval for the return of shares for cancellation has been obtained at the company's Annual General Meeting on 30 November 2006.

   On 23 January 2007, the 9 million shares were received and cancelled resulting in the Company's issued capital reverting to approximately 66.5 million shares. The share cancellation has been reflected in the financial statements for the period ended 31 December 2006.

2. As announced to ASX on 23 February 2007, the Company has agreed with K2 Energy Limited (K2 Energy) to merge. The merger is to be carried out by Tomahawk making a takeover offer for 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 3 new Tomahawk 31 December 2008 options for every 7 options held in K2 Energy.

Other than these matters described above, the Directors are not aware of any matter or circumstances that has arisen since 31 December 2006 which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial periods.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes thereto, as set out on 5 to 13:
   a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
   b. Give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year then ended.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Tony Brennan

Executive Chairman

Dated this 16th day of March 2007

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QUALIFIED INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TOMAHAWK ENERGY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tomahawk Energy Limited, which comprises the consolidated condensed balance sheet as at 31 December 2006, and the consolidated condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tomahawk Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Tomahawk Energy Limited on 16 March 2007.

Qualification

Attention is drawn to the matters raised in Notes 4 and 7 to the financial statements for the six months ended 31 December 2006. To 30 June 2006, the USA oil and gas operations of the Company were purported to be in the name of the parent entity, Tomahawk Energy Limited ("Tomahawk" or "the Company") and the USA subsidiary THK Energy (USA) Inc ("THK") was regarded by Tomahawk to be a non trading entity. The Company has now determined that the USA oil and gas leases and operations should have been in the name of THK and not Tomahawk from 1 October 2005. Accordingly, the Company has restated its financial statements for the six months ended 31 December 2005 and the year ended 30 June 2006 to disclose that the USA oil and gas assets and trading thereof were conducted in the name of THK effective from 1 October 2005. The comparative figures for the six months ended 31 December 2005 and the year ended 30 June 2006 have been amended in Tomahawk's and THK's financial statements prepared for the six months ended 31 December 2005 and the year ended 30 June 2006 (and for the six months ended 31 December 2006). As a result the comparative figures in the income statement (results for the six months ended 31 December 2005) and the comparative figures in the balance sheet (30 June 2006 assets, liabilities and equity) and certain comparative information in the notes to the financial report are different to the information previously disclosed in either the audit reviewed or audited financial reports. We have not sighted documentary evidence signed by Tomahawk and its subsidiary THK that the USA oil and gas leases were transferred so that they were in the name of THK effective from 1 October 2005 as the only transfer forms sighted by us were signed by one of the Tomahawk's group joint venture partners in the USA. Furthermore, there are no directors' minutes indicating approval of transfer of oil and gas leases to THK. In addition we have not been provided sufficient evidence as to the tax implications in Australia and USA of the transfer of the USA oil and gas operations and assets to THK. Thus, we are unable to form a view whether there are any taxes payable by the Tomahawk group (including inter-alia USA and Australian income, capital gains and withholding taxes) as a result of the changes made to Tomahawk's and THK's books and records. The directors of Tomahawk have estimated that the maximum potential tax liability to be US$320,000 (approximately $405,953) and have provided for this amount in the consolidated accounts as at 31 December 2006. We have not been provided with any USA or Australian tax advice as to the tax position as a result of the transfer of the oil and gas leases and operations from Tomahawk to THK and cannot determine with any degree of accuracy whether the amount provided is fairly stated.

Conclusion

Except for the financial affects, if any , on the financial report of the matters referred to in the qualification paragraph, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tomahawk Energy Limited is not in accordance with the *Corporations Act 2001* including:

(a) gives a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Inherent uncertainty on carrying value of non current assets and going concern

Without qualification to the opinion expressed above, attention is drawn to the following matters:

Included in the consolidated balance sheet are deferred exploration, evaluation and development costs totalling $19,234,879 as at 31 December 2006. The recoverability of this amount is dependent on the successful commercial exploitation of the underlying exploration and development assets of the consolidated entity and the ability of the consolidated entity to generate profits and cash-flows in excess of the current carrying values of these assets. In the event that the recoverable amounts of the exploration, evaluation and development assets arising from their commercial exploitation and/or subsequent disposal are less than their carrying values, a provision would be required to write down the assets to their recoverable amounts. The ability of the consolidated entity to continue as a going concern and to meet planned and committed expenditure requirements is subject to the consolidated entity successfully exploiting the oil and gas assets and/or the raising of further equity and/or loan capital. In the event that the consolidated entity is not successful in commercially exploiting the oil and gas assets and/or in raising further capital, the consolidated entity may not be able to continue operating and the realisable value of the consolidated entity's non–current assets may be significantly less than their current carrying values.

STANTONS INTERNATIONAL
(An authorised audit company)

Stantons International

J P Van Dieren
Director

West Perth, Western Australia
16 March 2007