Tomahawk Energy Limited

(ACN 106 609 143)

Annual Report

2007

CONTENTS

CORPORATE DIRECTORY

DIRECTORS
Samuel Gazal
Peter Moore
Ken Gaunt
Mike Reed
John Thompson
Bob Rosenthal

COMPANY SECRETARY
Terence Flitcroft

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STOCK EXCHANGE LISTING
Australian Stock Exchange
(Home Exchange: Sydney)
ASX Codes:
Ordinary shares: THK
Listed Options: THKO/THKOA

BANKERS
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CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholder,

The last year has been a very important one for the company, with the merger with K2 Energy enabling Tomahawk Energy to pursue an active and comprehensive exploration and development program on the company's existing projects in Oklahoma and K2 Energy's projects in Texas. The merger was completed in late May 2007 and the Board of Directors was reconstituted.

Discovery Wells

The company has drilled 5 conventional discovery wells, being the Patriot #1, Patriot # 2 and the Priegel #1 in the Bad Creek project in Oklahoma, as well as the Gayle #1 and Alex #1 in Texas. The Oklahoma wells have been producing for several months, with the Patriot #1 producing at a steady 1100 mcfd and the Priegel #1 producing 250mcfd, until it was recently temporarily shut in to resolve down hole engineering issues. The Priegel #1 will be on line again in the next few weeks. The Texas wells are expected to be in full production in the next month. All of the discovery wells have additional potentially productive zones that are not in production and the Alex #1 will be fracture treated shortly in the most prospective zone.

Work Over Program

In the past few months THK management has focused on bedding down the merger with K2 Energy and has focused on a 12 well workover program on the existing THK wells in Oklahoma. The workover program is continuing with multiple zones in each selected wells to be perforated, treated and tested. Several zones opened up in a number of wells to date and produced gas at 200 mcfd, however as more zones are progressively opened up in the existing wells over the coming months, production is expected to increase significantly.

Joint Venture Partner

The new management of the company has developed a strong relationship with Metro Energy Group ("Metro") and Metro has proven to be an efficient and effective operator with significant land and lease management expertise. Metro and THK are aligned in that both groups are focused on an aggressive drilling and workover program to increase production and cash flow.

The Bad Creek 3D project in Oklahoma will be the company's focus in the coming year. Tomahawk Energy and the project operator/partner Metro Energy Group have agreed to drill three development wells on the Priegel and Patriot discoveries in the next two months and will also drill 8 exploration wells on the Bad Creek project progressively over the next 6 months.

Exploration and Acreage

Metro and Tomahawk Energy participated in a 55 sq mile 3D seismic shoot on the Bad Creek Project area in late 2006 and subsequent processing of the 3D data by Schlumberger Consulting has revealed a large number of drilling prospects, that will be progressively assessed and drilled over the coming year. Prior to the merger of K2 Energy and Tomahawk Energy, K2 Energy negotiated a farm in agreement with Metro on a 50% interest in approximately 2000 acres, within the Bad Creek AMI. The acreage position has expanded steadily and Metro and Tomahawk Energy continue to lease strategic acreage with in the bad Creek 3D area and the company currently holds approximately 3000 net acres in the project area.

The company and Metro have engaged independent engineers to develop a Prospect Inventory for the Bad Creek Project and also to prepare reserve estimates on the Patriot and Priegel discoveries and for the other 20 or more prospects identified to date. We believe that the Bad Creek 3D data set will yield many more drilling prospects once the data has been further worked, with potential to drill over 100 wells on the project area.

Our acreage position of 12.5% of approximately 27,000 acres in Okfuskee and Ofmulgee Counties in Oklahoma, and our approximately 3000 acres in Bad Creek is also prospective for the unconventional Woodford and Caney shales. The company has several good wells producing from the Caney and Woodford shales and additional seismic interpretation by Schlumberger Consulting has revealed 8 additional fracture density targets that appear to be analogues of the better producing unconventional wells. While we will not focus on the unconventional play in the near term, we will continue to assess its potential and where possible will test the Caney and Woodford zones in conventional wells to be drilled in Bad Creek. The unconventional play has significant upside in the longer term for the company, once targeting and completion issues have been resolved. The unconventional play represents a significant prize, as Gaffney Cline consultants estimate a potential resource of 45 BCF of gas recoverable from the Caney and Woodford Shales in the THK acreage area.

Development Well

The company has also committed to drill a development well on it Shary Prospect in Hidalgo County Texas. While the Shary #1 (THK 6.8% Working Interest) is a modest producer at 100 mcfd, it has proven consistent and indicates an up dip location with potential for 1-2 BCF of gas accumulation. Once the Alex #1 is brought into production, an additional development well is anticipated for the Alex Prospect in Texas.

Change of name

The Annual General Meeting will be asked to approve a change of name of the Company to K2 Energy Limited. We believe this signifies the start of a new era for the company.

Summary

Overall the Board believes Tomahawk Energy has excellent prospects. We have a large 3D generated prospect inventory for conventional targets in the Bad Creek Project, 5 new conventional oil and gas discoveries, that will increase production and cash flow significantly over the coming months, low risk development drilling opportunities on several prospects, significant behind pipe potential in conventional zones in existing wells (Schlumberger estimates 10-20 BCF) that is inexpensive to test and which can be put to sales without delay. In addition the company has cash reserves to drill and develop its prospects, discoveries and existing behind pipe resources and it has a longer term big upside in the unconventional gas play.

It is the intention of the company to focus on increasing production and cash flow from the opportunities generated from the Bad Creek 3D shoot and I look forward to an exciting and successful 2008 for the company.

During the year Messrs Tony Brennan, Gary Ralston and Frank Brophy resigned from the Board of Tomahawk Energy and I would like to acknowledge them and thank them for their contribution to the company.

Yours faithfully,

PETER MOORE
Chief Executive Officer

DIRECTORS' REPORT

The Directors submit their report for the financial year ended 30 June 2007.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities
Samuel Gazal, BEc,

Non-executive Chairman (appointed 23rd May 2007)

Sam has more than 35 years experience as a director of public and private companies. He graduated from Sydney University with a Bachelor of Economics. He has been a director and significant shareholder in a number of successful companies including Gazal Industries Limited, Winthrop Investments Limited, Country Television Services Limited and Sunshine Broadcasting Network Limited. He is the major shareholder and chairman of the Roslyndale group of companies. Mr Gazal is currently and was a director of K2 Energy Limited prior to the merger.

Peter Moore, BA LLB.

Executive Director and CEO (appointed 23rd May 2007)

Peter was formerly a commercial lawyer and is a director of Geoflite Inc. He has worked in the resource exploration industry since 1987, when Geoflite (Aust) Pty Ltd was first established to commercially apply the Geoflite Method on mineral and oil and gas exploration projects in Australia and the United States. He has wide commercial experience in the oil and gas exploration industry in the United States. Mr Moore is currently and was a director of K2 Energy Limited prior to the merger.

Michael Reed, BSc, (Hons) CPG,AAPG (appointed 23rd July 2007)
Non-executive Director

Michael is a 1982 honours graduate in geology from the University of Kentucky and a Certified Petroleum Geologist with the American Association of Petroleum Geologists. He has 24 years' experience in oil and gas exploration and investment, currently as President of Aspen Energy, Inc. and formerly as Vice President of Tenexco Inc. based in Louisville, Kentucky, USA. Mike has overseen in excess of 350 oil and gas drilling ventures, investing more than $50,000,000 over the past 10 years throughout the main oil and gas producing regions of the USA. He has highly specialized expertise in screening and evaluating drilling opportunities. Mr Reed is currently and was a director of K2 Energy Limited prior to the merger.

Robert Kenneth (Ken) Gaunt- Non-executive Director (appointed 23rd May 2007)
Non-executive Director

Ken has enjoyed significant commercial success since founding Electronic Banking Solutions Pty Ltd in 1998. As Managing Director, Ken developed the business before merging with Cash Card Australia Limited in 2003. Ken has been director of Cash Card Australia Limited and is an investor in many successful businesses in Australia and elsewhere. Ken was a board member and Australia's representative of the ATM industry association and was a member of the customer advisory board of National Cash Register Company Limited. Mr Gaunt is currently and was a director of K2 Energy Limited prior to the merger.

John Thompson, B.Com
Non-executive Director (appointed 23rd July 2007)

John has strong experience in general management of resources and scientific companies. Most recently he led the Geochemistry Division of an international testing and verification business. He has also had general management responsibility for oil services companies. He has been a Director of Bank of Western Australia and at one time led the Stock Exchange in Perth. He is now a Director of several private and public companies involved in oil and mineral services. He has concentrated on private equity situations and has led successful buyout opportunities in the past. He was educated at University of Western Australia in Accounting and Commercial law. Mr Thompson is currently and was a director of K2 Energy Limited prior to the merger.

Bob Rosenthal – Non-executive Director

Mr Rosenthal graduated from the University of Southern California in 1974 with a B.Sc. in Geology and then in 1977 completed a M.Sc. in Geology and Geophysics from the same University.

In his 30 year career, he has worked on oil and gas projects in the Gulf of Mexico, Offshore Atlantic Margin, and North Slope of Alaska. In 1985, Bob was seconded to BP in Aberdeen Scotland and within a year he became Technical Leader of Northern and Central North Sea Lead Group who successfully bid in UK Licensing round. In 1988, he became senior advisor to Chief Geophysicist, then Global Consultant for Exploration reporting to Chief Geologist and General Manager of Exploration, worldwide.

For 15 years, he held various positions including senior exploration geophysicist with Sohio Petroleum (a subsidiary of BP) in San Francisco, California. Since 1999, Mr Rosenthal has run a successful consulting business and lives in both Ojai California and London, England. During the past three years, Mr Rosenthal has not served as a director for any other listed Australian company.

RETIRED DIRECTORS

Tony Brennan B.Bus CA – Previously Chairman (resigned 23rd May 2007)
Mr Brennan was previously the Managing Director of Mount Edon Gold Mines (Aust) Ltd and Kilkenny Gold N.L..

He is a former Chairman of Red Fork Energy Limited, and non executive chairman of Gleneagle Gold Ltd. A Chartered Accountant by profession with a career of more than 25 years, he was previously a partner in a national accounting firm in Australia.

Garry Ralston - Non-executive Director (resigned 23rd May 2007)
Mr Ralston has been a director of the Company since its incorporation. Garry has over 33 years experience in the Banking and Finance industries. Since 1987 he has managed his family's interest in a number of private companies.

In 1992, Mr Ralston co-founded Select Mortgage Services Pty Ltd, where he is a director and the licensee.

Frank Brophy B.Sc (Hons) - Non-executive Director (resigned 20th July 2007)
Mr Brophy commenced his career as a petroleum geologist with Australian Aquitaine Petroleum, a subsidiary of S.N.P.A which was later to merge with Elf to become Elf Aquitaine.

Mr Brophy works in Sicily where he is involved in the appraisal and development of an onshore gas discovery. During the past three years Mr Brophy has not served as a director for any other listed Australian company.

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Company Secretary
Terence Flitcroft B Comm CA SFIN
Mr Flitcroft is company secretary for a number of public and private companies.

CORPORATE INFORMATION

Corporate Structure
Tomahawk Energy Limited is a public company listed on the Australian Stock Exchange (ASC Code: THK). Tomahawk Energy Limited and its subsidiaries THK Energy (USA) Inc, K2 Energy Limited and its wholly owned subsidiary K2 Energy USA Inc are collectively referred to as Tomahawk Energy. Tomahawk Energy merged with K2 Energy Limited in May 2007.

Nature of operations and principal activities
Tomahawk Energy is an oil and gas exploration and production company whose primary purpose is to secure, find, develop, produce and sell hydrocarbons.

Employees
Following the merger with K2 Energy Limited, Tomahawk has only one employee in Australia being the Chief Executive Officer of the company. The field operations of the Oklahoma project are outsourced to the Operator of the project, Metro Energy Group Inc. (30 June 2007: 2 employees).

Mike Reed is based in the United States and is responsible for the day to day monitoring of the operations of the group. K2 Energy has one employee in the USA.

OPERATING AND FINANCIAL REVIEW

Overview

The company has undergone a major restructuring during the second half of the 2006/2007 financial year, and has refocused its activities after the merger with K2 Energy Limited.

As a result of the merger, Tomahawk's activities are now concentrated on increasing oil and gas revenue, through drilling and production in the USA, primarily in the states of Texas and Oklahoma.

A major re-completion program has commenced on many of the company's 28 existing wells in Oklahoma intending to exploit the oil and gas reserves in conventional formations identified behind pipe in those wells.

In addition the company is drilling new exploration wells within its Bad Creek Project area with up to 10 new exploration and development wells planned to be drilled in the coming year.

The company is also continuing to assess the potential of the unconventional gas potential of the Carey and Woodford Shales is intending to monitor technical developments in well completion techniques that could be applied to the project to unlock the significant potential unconventional gas resource on the company's Oklahoma leases.

The company's clear focus in 2008 is to increase oil and gas production and cash flow from new exploration drilling in the Bad Creek 3D seismic area and the aggressive work over and re-completion program on existing wells in Oklahoma.

In the June quarter K2 Energy Limited spent approximately $2.2 million on exploration and development, (predominantly in the Bad Creek area and the Alex Well), incurred foreign exchange losses of approximately $300,000 on funds invested in US dollars due to the appreciation of the Australian dollar during the quarter and incurred overheads or approximately $230,000. These amounts are pre-acquisition amounts and hence are not included in the Tomahawk results for the year ended 30th June 2007.

As a result of this restructuring and a review of the consolidated group, a number of large non-recurring costs were incurred (many of a non cash nature) and these have contributed significantly to the loss for the year. In addition a review of assets by the new management of the company has resulted in write-downs in the value of some assets.

Revenue declined by 51.6% to $1,221,895 due to declining production rates from existing wells, and cost of sales reduced accordingly from $1,070,200 to $786,855. The operating loss of approximately $28 million includes a write-down of $20.9 million for impairment of existing oil and gas assets, amortisation and depreciation of $3.35 million and $2.87 million of foreign exchange losses (these amounts are essentially non cash items).

FINANCIAL POSITION

The Company had cash funds on hand of approximately $6.4 million at year-end, as a result of its merger with K2 Energy Limited.

PRINCIPAL ACTIVITY

Tomahawk Energy participated in the exploration and production of oil and gas in the Okfuskee County, Oklahoma, and Texas in the United States of America.

FINANCIAL RESULT

The operating results for the financial year ended 30 June 2007 for the Consolidated Entity and the Company was an after tax loss of $28,041,002 (2006: $1,434,494).

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Tomahawk has acquired 100% of K2 Energy Limited, by way of a share swap. This has increased the financial resources of the group. In addition, the board of Tomahawk has been reconstituted and the K2 Energy management team is now in place.

The profits and losses for 2006/2007 incorporated a significant loss, the majority of which involved write-downs of a non cash nature. The cash position of the group has improved since last year.

AFTER BALANCE DATE EVENTS

The directors are not aware of any matter or circumstance that has arisen since the end of the period to the date of this report that has significantly affected or may affect:

(i) The operations of the company and the entity that it controls
(ii) The results of those operations
(iii) The state of affairs of the company in subsequent years, other than as set out below.

A further 1,926,081 shares and 885,208 options were issued on 10th July 2007, following the completion of the compulsory acquisition of the remaining K2 Energy Limited shares and options..

The company has an ongoing exploration program. Since balance date Tomahawk has participated in discoveries in the Priegel and Patriot wells in Oklahoma and the Alex # 1 well and Gayle # 1 well in Texas. Some of the company's wells are in production and others are in various stages of completion.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The company will continue to invest in oil and gas exploration prospects in the United States. Future performance will depend on the results of future drilling.

ENVIRONMENTAL REGULATIONS AND PROCEEDINGS

Tomahawk Energy is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

REMUNERATION REPORT

Remuneration Policy

The remuneration policy of Tomahawk Energy Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of Tomahawk Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed and approved by the Board after seeking professional advice from independent external consultants.

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

The Company is currently an exploration and emerging production entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and the senior executive is paid market rates associated with individuals in similar positions within the same industry. Options and performance incentives may be issued particularly as the Company moves from an exploration to a producing entity and key performance indicators such as profit and production and reserves growth can be used as measurements for assessing executive performance.

All remuneration paid to directors is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The Remuneration Committee consists of Messrs Gazal, Gaunt and Thompson. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

(a) Details of Key Management Personnel

(i) Directors

Samuel Gazal -Non-Executive Director (appointed 23rd May 2007)
Peter Moore- Executive Director and CEO (appointed 23rd May 2007)
Ken Gaunt - Non-Executive Director (appointed 23rd May 2007)
Mike Reed- Non-Executive Director (appointed 23rd July 2007)
John Thompson- Non-Executive Director (appointed 23rd July 2007)
Bob Rosenthal – Non-Executive Director
Tony Brennan – Previously Executive Chairman (resigned 23rd May 2007)
Garry Ralston – Previously Non-Executive Director (resigned 23rd May 2007)
Frank Brophy – Previously Non-Executive Director (resigned 20th July 2007)

(ii) Executives

There are no executives.

Directors' remuneration and other terms of employment are reviewed annually by the remuneration committee having regard to performance against goals set at the start of the year, relative comparative information and independent expert advice.

Except as detailed in Notes (b) – (d) to the remuneration report, no director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in Notes (b) – (d) to the remuneration report, prepared in accordance with the Corporations regulations, or the fixed salary of a full time employee of the Company.

(b) Share and Option holdings

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length. The relevant interests of each director in share capital at the date of this report are as follows:-

	Number of Shares	Number of Options
Bob Rosenthal	-	500,000
Samuel Gazal (appointed 23rd May 2007)	1,950,000	1,125,000
Peter Moore (appointed 23rd May 2007)	11,100,000	9,250,000
Ken Gaunt (appointed 23rd May 2007)	2,550,000	1,187,500
John Thompson (appointed 23rd July 2007)	750,000	312,500
Mike Reed (appointed 23rd July 2007)	1,800,000	1,500,000
	18,150,000	13,875,000

Pursuant with the merger with K2 Energy Limited entities associated with Messrs Gazal, Moore, Gaunt, Reed and Thompson received options in consideration for the options they held in K2 Energy Limited. These were on the same terms as all the other K2 Energy Limited option holders.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

(c) Compensation of Key Management Personnel

Remuneration Policy
The Board of Directors, mainly comprising of non-executive directors, is responsible for determining and reviewing compensation arrangements for the executive team. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Remuneration of Directors is set out below. The Company has no executives other than Mr Moore.

	Short Term		Equity Compensation	Post-employment	
Directors	**Base Salary and Fees $**	**Bonus and Non Monetary Benefits $**	**Value of Options $**	**Superannuation Contributions $**	**TOTAL $**
Tony Brennan (resigned 23.5.07)					
30 June 2006	124,010	-	-	11,161	135,171
30 June 2007	181,602	-	-	17,582	199,184
Garry Ralston (resigned 23.5.07)					
30 June 2006	50,000	-	-	-	50,000
30 June 2007	26,495	-	-	-	26,495
Frank Brophy (resigned 20.7.07)					
30 June 2006	29,167	-	-	-	29,167
30 June 2007	23,197	-	-	-	23,197
Bob Rosenthal					
30 June 2006	20,437	-	105,000	-	125,437
30 June 2007	18,714	-	-	-	18,714
Sam Gazal (appointed 23.5.07)					
30 June 2006	-	-	-	-	-
30 June 2007	-	-	-	-	-
Peter Moore * (appointed 23.5.07)					
30 June 2006	-	-	-	-	-
30 June 2007	10,194	-	-	917	11,111
Ken Gaunt (appointed 23.5.07)					
30 June 2006	-	-	-	-	-
30 June 2007	-	-	-	-	-
Total 2006	223,614	-	105,000	11,161	339,775
Total 2007	260,202	-	-	18,499	278,701

* Mr Moore's salary and superannuation contribution was paid by K2 Energy Limited.

(i) In accordance with AASB 2, options issued to Directors and during the previous year and in previous years have been valued using a Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Although a value is ascribed and included in total Directors Remuneration, it should be noted that the Directors have not received this amount and the option may have no actual financial value unless the options achieve their exercise price. The calculation of the option valuation in the previous year included the share price on 28 March 2006 of $0.62, a volatility factor of 50% and an annual risk-free rate of 5.78%.

All transactions were entered into on normal commercial terms.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (CONT.)

(d) Compensation Options: Granted and vested during and since the financial year ended 30 June 2007

During and since the financial year ended 30 June 2007, no options relating to compensation were granted to directors.

The following table discloses the value of options granted, exercised or lapsed during the 2007 year:

	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed		Value of options included in remuneration for the year	Percentage of total remuneration for the year that consists of options
	Value at grant date	Value at exercise date	Value at time of lapse				
Director	$	$	$	$		$	%
A Brennan	-	-	55,250	55,250		-	-
G Ralston	-	-	16,250	16,250		-	-

The following table discloses the value of options granted, exercised or lapsed during the 2006 year:

	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed		Value of options included in remuneration for the year	Percentage of total remuneration for the year that consists of options
	Value at grant date	Value at exercise date	Value at time of lapse				
Director	$	$	$	$		$	%
B Rosenthal	105,000	-	-	105,000		105,000	83.8

On 20th July 2007 Mr Brophy resigned as a director of the company. As a result of his resignation his 400,000 options lapsed.

Options issued as Part of Remuneration

Options are issued from time to tome to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to increase goal congruence between executives, directors and shareholders.

Employment Contracts of Directors and Senior Executives

Peter Moore is the only director who is currently a permanent employee of the Company. Mr Moore has an employment agreement with K2 Energy Limited. The contract is not for a fixed term. The contract states he can be terminated by the company by giving up to three months notice and by paying a redundancy of three months. Previously Mr Brennan was employed as Executive Chairman on 1 July 2006 but had no formal contact.

MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial period each director held office and the number of meetings attended by each director are:

	Directors Meetings	
Director	**Meetings Attended**	**Number Eligible to Attend**
Tony Brennan (resigned 23rd May 2007)	2	2
Garry Ralston (resigned 23rd May 2007)	2	2
Bob Rosenthal	3	3
Frank Brophy (resigned 20th July 2007)	0	3
Samuel Gazal (appointed 23rd May 2007)	1	1
Peter Moore (appointed 23rd May 2007)	1	1
Ken Gaunt (appointed 23rd May 2007)	1	1

OPTIONS

At the date of this report the following options over ordinary shares in the Company were on issue.

Type	No. Issued	No. Quoted	Exercise Price	Expiry Date
Listed Options	12,298,000	12,298,000	20 cents	31 December 2008
Listed Options	29,997,500	29,997,500	20 cents	30 September 2009
Unlisted Options	500,000	-	70 cents	31 December 2008
Unlisted Options	2,000,000	-	40 cents	31 December 2008

There were no ordinary shares issued as a result of the exercise of options during the financial year. 2,500 options were exercised in July 2007. Directors' holdings of shares and share options have been disclosed in the Remuneration Report.

BOARD MEMBERS DIRECTORSHIPS

Listed below are details of listed public company directorships held by Board Members over the last three years.

Director	Directorship of	Date Appointed	Date Resigned
Samuel Gazal	K2 Energy Limited	29th August 2005	-
Peter Moore	K2 Energy Limited	29th August 2005	-
Bob Rosenthal	None	-	-
Mike Reed	K2 Energy Limited	18th October 2005	-
Robert Kenneth Gaunt	K2 Energy Limited	18th October 2005	-
John Thompson	Pharmaust Limited	4th July 2005	27 Sept 2006
	K2 Energy Limited	20th July 2006	-

INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The Company currently has no insurance in respect of directors' and officers' liability

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 53 of the financial report.

NON AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that no non-audit services were performed during the year by the Company's auditors.

This report is made in accordance with a resolution of the directors.

Samuel Gazal
Chairman

28 September 2007

Corporate Governance Statement

Principle 1:

Lay solid foundations for management and oversight

The Board of Directors is responsible for the overall Corporate Governance of the company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The primary responsibilities of the Board include responsibility for:

- oversight of the company, including its control and accountability systems,
- appointing and removing the chief executive officer (or equivalent),
- ratifying the appointment and, where appropriate, the removal of the chief financial officer (or equivalent) and the company secretary,
- input into and final approval of management's development of corporate strategy and performance objectives,
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance,
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available,
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures,
- approving and monitoring financial and other reporting.

Directors consider that the company's procedures comply with Principle 1 of the Principles of Good Corporate Governance.

Principle 2:

Structure the board to add value

2.1: A majority of the board should be independent directors.

The names of the Directors of the Company in office at the date of this Statement are set out in the Directors' Report. Directors are appointed based on their experience and on independence of their decision-making and judgement.

In considering the status of directors as independent directors the company has regard to the following

An independent director is a non-executive director (ie is not a member of management) and:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment
- within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided
- is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- has no material contractual relationship with the company or another group member other than as a director of the company
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Previously having regard to the above criteria, and the particular circumstances of the company and each director, Directors consider that the 2 directors are independent and 3 directors are not independent therefore the company did not comply with Principle 2.1 of the Principles of Good Corporate Governance. This has changed since the merger with K2 and the majority of Directors are now independent hence the company now complies with Principle 2.1.

2.2: The chairperson should be an independent director.

Mr Brennan, the former Chairman, was an executive of the company and was not considered to be an independent director. The Company did not comply with Principle 2.2 of the Principles of Good Corporate Governance. Following the merger with K2 Energy Limited there is an independent Chairman so the Company now complies.

2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual.

The functions of a chief executive officer were previously carried out by the chairman and the Company did not comply with Principle 2.3 of the Principles of Good Corporate Governance. Following the merger with K2 Energy Limited the Chairman is not the Chief Executive Officer so the Company now complies.

2.4: The board should establish a nomination committee

The company does not have a formal nomination committee due to the scale and nature of the company's activities. The whole board meet to consider additional appointments to the Board.

Directors consider that the company complies with the intentions of Principle 2.4 of the Principles of Good Corporate Governance.

2.5: Provide the information indicated in Guide to reporting on Principle 2

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the Annual Report are disclosed in the Directors' Report included in the Annual Report

All of the directors are considered by the board to constitute independent directors. The company does not have fixed materiality thresholds

Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chair is required, which is not unreasonably withheld.

No directors have fixed terms of office.

The company does not have a nomination committee for the reasons outlined in 2.4 above.

Any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 or 2.5 are included in those sections.

The Board will review its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

Directors consider that the company complies with Principle 2.5 of the Principles of Good Corporate Governance

Principle 3:

Promote ethical and responsible decision-making

3.1: Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity

3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Board's policy for the Directors and management is to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Company has not adopted a specific Code of Conduct due to the size of its operations and number of employees at this time.

Directors consider that the company did not comply with Principle 3.1 of the Principles of Good Corporate Governance but will following the merger as a Code of Conduct is to be adopted.

3.2: Disclose the policy concerning trading in company securities by directors, officers and employees.

The policy is as follows:

Directors and senior executives (officers) must not buy or sell shares or securities in the company if they possess information which, if disclosed publicly, might have a material effect on the price or value of the company's shares. Directors through the Company Secretary must notify the ASX of any change in their share holdings within 3 business days of the transaction taking place.

The Company maintains a policy that requires all directors to seek the chairman's approval prior to trading in the Companies securities

No transaction should take place if the directors (or officers) are aware of any information which, if disclosed publicly, might have a material effect on the price or value of the company's shares.

Directors consider that the company complies with Principle 3.2 of the Principles of Good Corporate Governance.

3.3: Provide the information indicated in Guide to reporting on Principle 3.

This information is provided in this statement.

Directors consider that the company complies with Principle 3.3 of the Principles of Good Corporate Governance

Principle 4:

Safeguard integrity in financial reporting

4.1: Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Chairman and the Company Secretary provides the Board with this statement in relation to financial reports.

Directors consider that the company complies with Principle 4.1 of the Principles of Good Corporate Governance.

4.2: The board should establish an audit committee.

Previously due to the company's size and structure at present it was not considered appropriate to have a formal audit committee which did not comply with Principle 4.2 of the Principles of Good Corporate Governance. Following the merger with K2 Energy Limited an audit committee has been established consisting of Messrs Thompson & Gazal.

4.3: Structure the audit committee so that it consists of:

- only non-executive directors
- a majority of independent directors
- an independent chairperson, who is not chairperson of the board
- at least three members.

Directors consider that Principle 4.3 of the Principles of Good Corporate Governance is not applicable given the size of the Board and two members is appropriate.

4.4: The audit committee should have a formal charter.

Directors consider that Principle 4.4 of the Principles of Good Corporate Governance is not applicable.

4.5: Provide the information indicated in Guide to reporting on Principle 4.

Directors consider that the company complies with Principle 4.5 of the Principles of Good Corporate Governance to the extent applicable to the Company.

Principle 5:

Make timely and balanced disclosure

5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

All directors are required to have a general understanding of the matters that are to be, or not to be disclosed in accordance with the ASX Listing Rules.

All matters concerning compliance with the listing rules are to be reported to the chairman.

The Chairman has primary responsibility for ensuring that the company complies with its disclosure obligations and is primarily responsible for deciding what information will be disclosed

The Chairman and the Company Secretary are responsible for promoting understanding of compliance and monitoring compliance

Directors are required to maintain confidentiality of corporate information to avoid premature disclosure

The Chairman is responsible for media contact and comment, external communications such as analyst briefings and responses to shareholder questions.

Directors consider that the company complies with Principle 5.1 of the Principles of Good Corporate Governance.

5.2: Provide the information indicated in Guide to reporting on Principle 5.

This information is provided in this statement.

Directors consider that the company complies with Principle 5.2 of the Principles of Good Corporate Governance.

Principle 6:

Respect the rights of shareholders

6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

Information is communicated to shareholders as follows:

- notices of all meetings of shareholders;
- all documents that are released publicly are made available on the Company's website at www.tomahawkenergy.com.au

Directors consider that the company complies with Principle 6.1 of the Principles of Good Corporate Governance.

6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Directors anticipate that the company will comply with Principle 6.2 of the Principles of Good Corporate Governance.

Principle 7:

Recognise and manage risk

7.1: The board or appropriate board committee should establish policies on risk oversight and management.

The Board monitors and if necessary receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements.

Specific areas of risk, which are identified, will be regularly considered at Board meetings include performance of activities, human resources, the environment and continuous disclosure obligations.

7.2: The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:

7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
Matters of risk management and compliance are currently addressed by the board as a whole at this stage of the development of the company.
Directors consider that the company complies with the intentions of Principle 7.2 of the Principles of Good Corporate Governance.

7.3: Provide the information indicated in Guide to reporting on Principle 7.
This information is provided in this statement.
Directors consider that the company complies with Principle 7.3 of the Principles of Good Corporate Governance.

Principle 8:

Encourage enhanced performance

8.1: Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.
At this stage of the development of the company, the company does not have formal procedures in place for performance evaluation of the board, its committees and individual directors, and key executives.
Directors consider that the company does not comply with Principle 8.1 of the Principles of Good Corporate Governance although this non-compliance is not material.

Principle 9:

Remunerate fairly and responsibly

9.1: Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.
At this stage of the development of the company, the company has formal remuneration policies in place.

9.2: The board should establish a remuneration committee.
Prior to the merger with K2 Energy Limited, the company did not have a formal in place.
Directors considered that the company did not comply with Principle 9.2 of the Principles of Good Corporate Governance. A remuneration committee has now been established and hence the Company complies.

9.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executives.
The remuneration of each director is set out in the Directors' Report included in the Annual Report.
Directors consider that the company complies with Principle 9.3 of the Principles of Good Corporate Governance.

9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.
The company has equity-based executive remuneration that has been approved by shareholders on 29 December 2004.
Directors consider that Principle 9.4 of the Principles of Good Corporate Governance is not applicable.

9.5: Provide the information indicated in Guide to reporting on Principle 9.
This information is provided in this statement.
Directors consider that the company complies with Principle 9.5 of the Principles of Good Corporate Governance.

Principle 10:

Recognise the legitimate interests of stakeholders

10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.
Prior to the merger the company does not have formal Code of Conduct in place.
Directors consider that the company did not comply with Principle 10.1 of the Principles of Good Corporate Governance but will following the merger as a Code of Conduct is to be adopted and will comply..

INCOME STATEMENTS
For the year ended 30 June 2007

	Note	ECONOMIC ENTITY 30 June 2007 $	ECONOMIC ENTITY 30 June 2006 $	THE COMPANY 30 June 2007 $	THE COMPANY 30 June 2006 $
Revenue	2	**1,173,342**	**2,331,075**	**-**	**714,481**
Cost of sales	3	(786,855)	(1,070,200)	-	(220,269)
Amortisation	3	(3,349,641)	(2,636,202)	-	(659,050)
Gross loss		**(2,963,154)**	**(1,375,327)**	**-**	**(164,838)**
Other revenue	2	48,643	193,237	48,643	193,237
Consultants fees		(688,143)	(141,950)	(307,730)	(141,950)
Listing and share registry		(51,731)	(52,067)	(51,731)	(52,067)
Rental and office expenses		(51,768)	(6,020)	(43,753)	(6,020)
Administration expenses		(52,000)	(38,939)	(52,000)	(38,939)
Salaries, directors fees and employee benefits	3	(267,591)	(339,776)	(267,591)	(339,776)
Travel		(33,016)	(134,416)	(33,016)	(134,416)
Foreign exchange gains/(losses)	3	(2,874,536)	470,303	(2,874,536)	4,835
Provisions		9,539	(9,539)	9,539	(9,539)
Legal and Accounting fees		(152,891)	-	(113,898)	-
Interest paid		(87)	-	(87)	-
Impairment of oil and gas assets	3	(13,518,087)	-	-	-
Provision for non recovery of intercompany loan		-	-	(16,367,164)	-
Goodwill on oil and gas assets written off	3	(7,446,180)	-	-	-
Provision for diminution of investment in subsidiary company		-	-	(7,114,505)	-
LOSS BEFORE INCOME TAX EXPENSE	3	**(28,041,002)**	**(1,434,494)**	**(27,167,829)**	**(689,473)**
Income Tax Benefit / (Expense)	5	**-**	**-**	**-**	-
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF TOMAHAWK ENERGY LIMITED	13	**(28,041,002)**	**(1,434,494)**	**(27,167,829)**	**(689,473)**
Minority interest		-	-	-	-
NET LOSS		**(28,041,002)**	**(1,434,494)**	**(27,167,829)**	**(689,473)**
Basic loss per share (cents)	18	(35.5)	(2.10)		

The accompanying notes form part of these financial statements.

BALANCE SHEETS
As at 30 June 2007

	Note	ECONOMIC ENTITY		THE COMPANY	
		30 June 2007 $	**30 June 2006 $**	**30 June 2007 $**	**30 June 2006 $**
CURRENT ASSETS					
Cash and cash equivalents	6	6,388,436	2,248,898	2,218	2,248,898
Trade and other receivables	7	83,039	338,970	386	338,970
TOTAL CURRENT ASSETS		6,471,475	2,587,868	2,604	2,587,868
NON-CURRENT ASSETS					
Other financial assets	8	-	-	12,498,623	27,306,255
Deferred exploration, evaluation and development costs	9	5,902,227	26,553,735	-	-
TOTAL NON-CURRENT ASSETS		5,902,227	26,553,735	12,498,623	27,306,255
TOTAL ASSETS		12,373,702	29,141,603	12,501,227	29,894,123
CURRENT LIABILITIES					
Trade and other payables	10	285,587	1,183,354	413,112	1,183,354
Provisions	11	-	9,539	-	9,539
TOTAL CURRENT LIABILITIES		285,587	1,192,893	413,112	1,192,893
TOTAL LIABILITIES		285,587	1,192,893	413,112	1,192,893
NET ASSETS		**12,088,115**	**27,948,710**	**12,088,115**	**28,701,230**
EQUITY					
Equity attributable to equity holders of the parent					
Issued capital	12	40,883,347	30,634,433	40,883,347	30,634,433
Foreign currency reserve	14	1,285,250	(7,500)	-	-
Option reserves	14	2,489,100	2,183,300	2,489,100	2,183,300
Accumulated losses	13	(32,902,525)	(4,861,523)	(31,284,332)	(4,116,503)
Equity attributable to equity holders of the parent		11,755,172	27,948,710	12,088,115	28,701,230
Minority interest	14	332,943	-	-	-
TOTAL EQUITY		**12,088,115**	**27,948,710**	**12,088,115**	**28,701,230**

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2007

ECONOMIC ENTITY	Minority Interest	Foreign Currency Reserves	Share Based Payment Reserve	Issued Capital	Accumulated Losses	Total
	$	$	$	$	$	$
Balance at 1 July 2005	**-**	**-**	**2,078,300**	**16,003,755**	**(3,427,029)**	**14,655,026**
Equity settled transactions	-	-	105,000	-	-	105,000
Foreign translation revenue	-	(7,500)	-	-	-	(7,500)
Loss attributable to members	-	-	-	-	(1,434,494)	(1,434,494)
Shares issued during the year	-	-	-	15,127,745	-	15,127,745
Conversion of options during the year	-	-	-	99,900	-	99,900
Capital raising costs	-	-	-	(596,967)	-	(596,967)
Balance at 30 June 2006	**-**	**(7,500)**	**2,183,300**	**30,634,433**	**(4,861,523)**	**27,948,710**
Equity settled transactions	-	-	305,800	-	-	305,800
Loss attributable to members	-	-	-	-	(28,041,002)	(28,041,002)
Foreign translation revenue		1,292,750	-	-	-	1,292,750
Shares issued during the year	-	-	-	15,648,914	-	15,648,914
Shares cancelled during the year	-	-	-	(5,400,000)	-	(5,400,000)
Minority interest	332,943	-	-	-	-	332,943
Capital raising costs	-	-	-	-	-	-
Balance at 30 June 2007	**332,943**	**1,285,250**	**2,489,100**	**40,883,347**	**(32,902,525)**	**12,088,115**

THE COMPANY	Share Based Payment Reserve	Issued Capital	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2005	**2,078,300**	**16,003,755**	**(3,427,029)**	**14,655,026**
Equity settled transactions	105,000	-	-	105,000
Loss attributable to members	-	-	(689,474)	(689,474)
Shares issued during the year	-	15,127,745	-	15,127,745
Conversion of options during the year	-	99,900	-	99,900
Capital raising costs	-	(596,967)	-	(596,967)
Balance at 30 June 2006	**2,183,300**	**30,634,433**	**(4,116,503)**	**28,701,230**
Equity settled transactions	305,800	-	-	305,800
Loss attributable to members	-	-	(27,167,829)	(27,167,829)
Shares issued during the year	-	15,648,914	-	15,648,914
Shares cancelled during the year	-	(5,400,000)	-	(5,400,000)
Capital raising costs	-	-	-	-
Balance at 30 June 2007	**2,489,100**	**40,883,347**	**(31,284,332)**	**12,088,115**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENTS
For the year ended 30 June 2007

		ECONOMIC ENTITY		THE COMPANY	
		30 June 2007 $	**30 June 2006 $**	**30 June 2007 $**	**30 June 2006 $**
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,090,303	2,421,377	-	2,421,377
Payments to suppliers and employees		(1,781,423)	(3,628,738)	(1,967,028)	(3,628,738)
Interest received		48,643	178,062	48,643	178,062
NET CASH FLOWS FROM OPERATING ACTIVITIES	15(a)	(642,477)	(1,029,299)	(1,918,385)	(1,029,299)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for exploration expenditure		(1,655,036)	(4,960,198)	-	(4,960,198)
Cash acquired on acquisition of subsidiaries		6,765,346	-	-	-
Payments relating to acquisition of subsidiaries		(328,295)	-	(328,295)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		4,782,015	(4,960,198)	(328,295)	(4,960,198)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares and options		-	8,027,644	-	8,027,644
Transaction costs of issue of shares		-	(597,967)	-	(597,967)
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	7,430,677	-	7,430,677
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,139,538	1,441,180	(2,246,680)	1,441,180
Cash and cash equivalents at beginning of the year		2,248,898	802,882	2,248,898	802,882
Net foreign exchange differences		-	4,835	-	4,835
CASH AND CASH EQUIVALENTS AT END OF YEAR	15(b)	**6,388,436**	**2,248,897**	**2,218**	**2,248,897**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

Tomahawk Energy Limited is a company limited by shares that is incorporated and domiciled in Australia.

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001 (as it applies to the preparation of consolidated financial information).

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the Group's accounting policies.

At the date of authorisation of the financial report, the following Standards and interpretations were in issue but not yet effective:

• AASB 7 'Financial instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue.	Effective for annual reporting periods beginning on or after 1 January 2007.
• AASB 101 'Presentation of Financial Statements' - revised standard	Effective for annual reporting periods beginning on or after 1 January 2007.
• Interpretation 10 'Interim Financial Reporting and Impairment'	Effective for annual reporting periods beginning on or after 1 November 2006.

The Company's financial report does not comply with IFRSs as the Company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Presentation and Disclosure in respect of certain disclosure requirements.

The consolidated financial information has been prepared on the accruals basis and is based on historical costs. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the accounting policies adopted by the Company in the preparation of the consolidated financial information. The accounting policies have been consistently applied unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

• when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

• when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

• when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

• when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or

(ii) exploration and evaluation activities in the area have not, at balance date, resulted in booking economically recoverable reserves, and active operations in, or relating to, this area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Amortisation is charged against individual wells currently based on a well life of 5 years as reserve estimates are not yet available. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(d) Restoration

Provisions for future environmental restoration are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at the end of the balance sheet date, with a corresponding change in the cost of the associated asset.

The amount of the provision for future restoration costs relating to exploration, development and production facilities is capitalized and depleted as a component of the cost of those activities.

The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(e) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(f) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purpose of the Cash Flow Statement cash and cash equivalents includes cash on hand and other funds held at call net of bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flow on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(h) Foreign Currency Translation

Foreign currency transactions are converted to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable or receivable in foreign currencies are brought to account as exchange gains or losses in the operating result in the financial year in which the exchange rates change.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

i. exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
ii. exchange differences on transactions entered into in order to hedge certain foreign currency risks ; and
iii. exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

The financial statements of foreign subsidiary that report in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the reporting date before they are translated into Australian dollars.

(i) Earnings Per Share

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for an bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Segment Reporting

Individual business segments have been identified on the basis of grouping individual assets with similar risks and returns.

(k) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(l) Principles of consolidation

Controlled entities

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(m) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

(o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Interest

Control of the right to receive the interest payment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Other Financial Assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the balance date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and other employee benefits expected to be settled within twelve months of balance date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefits are measured at the present value of the estimated future cash flows.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

are recognised against earnings on a net basis in their respective categories.

(r) Joint Ventures

Interests in joint venture operations are recognised by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

(s) Borrowing Costs

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(t) Property, Plant & Equipment

Property, plant & equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight line basis on all property, plant and equipment over 3 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(v) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model, further details of which are given in note 25. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Tomahawk Energy Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Share-based payment transactions (cont'd)

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(w) Significant Accounting Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Mineral Exploration and Evaluation

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

(x) Recoverable Amount

At each reporting date the entity assesses whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the entity makes a formal estimate of recoverable amount. Where carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or accompanying assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	ECONOMIC ENTITY		THE COMPANY	
	30 June 2007 $	**30 June 2006 $**	**30 June 2007 $**	**30 June 2006 $**
2. REVENUE				
Oil and gas sales	1,173,342	2,331,075	-	714,481
Other revenue				
Interest received	48,643	178,062	48,643	178,062
Other	-	15,175	-	15,175
	48,643	193,237	48,643	193,237
Total revenue	1,221,985	2,524,312	48,643	907,718

	ECONOMIC ENTITY		THE COMPANY	
3. LOSS FOR THE YEAR	**30 June 2007 $**	**30 June 2006 $**	**30 June 2007 $**	**30 June 2006 $**

Net gains and expenses

Loss before related income tax expense includes the following net gains and expenses :

Production costs	786,855	1,070,200	-	220,269
Impairment of oil and gas assets	13,518,087	-	-	-
Goodwill on oil and gas assets written off	7,446,180	-	-	-
Amortisation of development assets	3,349,641	2,636,202	-	659,050
Net foreign currency (losses)/gains	(2,874,536)	470,303	(2,874,536)	4,835

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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 year ended 30 June 2006. 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:

30 June 2006	Consolidated			Company		
	Reported Balance	Adjustment	Reinstated Balance	Reported Balance	Adjustment	Reinstated Balance
	$	$	$	$	$	$
Revenue	2,421,377	(90,302)	2,331,075	2,331,075	(2,331,075)	-
Cost of sales	1,070,200	-	1,070,200	220,269	(220,269)	-
Amortisation	2,636,202	-	2,636,202	2,636,202	(2,636,202)	-
Unrealised foreign exchange gain/(losses)	-	(470,303)	(470,303)	4,835	-	4,835
Deferred exploration, evaluation and development costs	26,095,766	457,969	26,553,735	26,095,766	(26,095,766)	-
Foreign currency translation reserves	-	7,500	7,500	-	-	-
Accumulated losses	5,326,991	(465,468)	4,861,523	5,326,991	(1,210,488)	4,116,503
Net assets	27,490,742	457,968	27,948,710	27,490,742	1,210,488	28,701,230

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	ECONOMIC ENTITY		THE COMPANY	
5. INCOME TAXES	**30 June 2007 $**	**30 June 2006 $**	**30 June 2007 $**	**30 June 2006 $**
(a) Tax expense/(income)				
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Net loss for the year	(28,041,002)	(1,434,494)	(27,167,829)	(689,473)
Income tax expense calculated at 30% (2006: 30%)	(8,412,301)	(430,348)	(8,150,349)	(206,842)
Add/(less) tax effect of:				
Amortisation of exploration assets	1,004,892	-	-	-
Impairment of exploration assets	4,055,426	-	-	-
Goodwill write-off of exploration assets	2,233,854	-	-	-
Provision for diminution of investments	-	-	2,134,352	-
Provision for non-recovery of loan	-	-	4,910,149	-
Share based payments	91,740	31,500	91,740	31,500
Other non-allowable items	-	604	-	604
Capitalised exploration expenditure	(1,098,720)	(3,736,818)	-	(3,736,818)
Unrealised foreign exchange loss	862,361	4,884	862,361	4,884
Other temporary differences not recognised	(64,480)	(70,516)	(64,480)	(70,516)
Foreign tax losses not recognised as deferred tax assets	12,280	4,034,045	12,280	3,670,898
Unused tax losses not recognised as deferred tax assets	1,314,948	166,649	203,947	306,290
Income tax expense	-	-	-	-

(b) Deferred tax balances

The following deferred tax balances at 30% (2006:30%) have not been recognised:

	ECONOMIC ENTITY 30 June 2007 $	ECONOMIC ENTITY 30 June 2006 $	THE COMPANY 30 June 2007 $	THE COMPANY 30 June 2006 $
Deferred tax assets:				
Revenue losses	1,878,667	563,719	767,667	563,719
Foreign losses	4,697,732	4,685,452	4,697,732	4,322,305
Capital raising costs	148,824	238,837	148,824	238,837
Unrealised foreign exchange loss	885,418	23,057	885,418	23,057
Provisions and accruals	16,259	7,362	16,259	7,362
Other	120	240	120	240
	7,627,020	5,518,667	6,516,020	5,155,520

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	ECONOMIC ENTITY		THE COMPANY	
	As at 30 June 2007 $	As at 30 June 2006 $	As at 30 June 2007 $	As at 30 June 2006 $
6. CASH AND CASH EQUIVALENTS				
Cash at bank – A$ Accounts	3,565,739	1,915,170	2,218	1,915,170
Cash at bank – USD Accounts	2,822,697	333,728	-	333,728
	6,388,436	**2,248,898**	**2,218**	**2,248,898**

Cash at bank earns interest at floating rates based on daily bank deposit rate.

7. TRADE & OTHER RECEIVABLES

Current				
Oil sales receivable (a)	80,609	225,354	-	225,354
Other debtors (b)	2,430	113,616	386	113,616
	83,039	**338,970**	**386**	**338,970**

Terms and conditions relating to the above financial instruments:
a) Oil sales receivable is non-interest bearing and generally on 60 day terms;
b) Other debtors are non-interest bearing and generally on 30 day terms

8. OTHER FINANCIAL ASSETS

Non current				
Advance related company	-	-	19,939,688	27,304,985
Less provision for diminution	-	-	(16,367,164)	-
Investment in subsidiaries	-	-	16,040,605	1,270
Less provision for diminution	-	-	(7,114,506)	-
	-	-	12,498,623	27,306,255

9. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Exploration and evaluation costs carried forward in respect of petroleum exploration areas of interest	**5,902,227**	**26,553,735**	**-**	**-**
Movement in carrying amounts				
Opening balance	26,553,735	15,567,619	-	-
Expenditure incurred and acquired during the year	3,840,309	13,622,318	-	-
Foreign exchange translation adjustment	(2,224,089)	-	-	-
Exploration writeback on cancellation of shares	(5,400,000)	-	-	-
Amortisation of areas under production	(3,349,641)	(2,636,202)	-	-
Impairment of assets	(13,518,087)	-	-	-
Closing balance	**5,902,227**	**26,553,735**	**-**	**-**

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the petroleum exploration areas of interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	ECONOMIC ENTITY		THE COMPANY	
	As at 30 June 2007 $	As at 30 June 2006 $	As at 30 June 2007 $	As at 30 June 2006 $
10. TRADE & OTHER PAYABLES				
Current				
Trade creditors (a)	-	168,999	-	168,999
Accruals	285,587	1,014,355	121,943	1,014,355
Advance from related company	-	-	291,169	-
	285,587	**1,183,354**	**413,112**	**1,183,354**

Terms and conditions
Terms and conditions relating to the above financial instruments
(a) Trade creditors are non-interest bearing and are normally settled on 45 day terms.

11. PROVISIONS				
Current				
Employee benefits	-	9,539	-	9,539
	-	**9,539**	**-**	**9,539**

12. SHARE CAPITAL				
Issued and paid up capital				
116,926,322 (2006: 75,494,827) Ordinary shares fully paid	**40,883,347**	**30,634,433**	**40,833,347**	**30,634,433**
(a) Movements in shares on issue				
At the beginning of the reporting period	**30,634,433**	**16,003,755**	**30,634,433**	**16,003,755**
Shares issued during the period:				
- Cancellation of shares	(5,400,000)	-	(5,400,000)	-
- Issue of shares to consultants	250,000	-	250,000	-
- Issue of shares pursuant to merger with K2 Energy Limited at 31 cents	15,398,914	-	15,398,914	-
- Option exercise	-	99,900	-	99,900
- Placement at $0.75 per share	-	3,300,000	-	3,300,000
- Share purchase plan $0.75 per share	-	4,627,745	-	4,627,745
- Drilling Program II-V shares issued at $0.60 per share	-	7,200,000	-	7,200,000
- Capital raising costs	-	(596,967)	-	(596,967)
At end of reporting period	**40,883,347**	**30,634,433**	**40,883,347**	**30,634,433**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

12. SHARE CAPITAL (CONT'D)

(b) Movements in shares on issue	ECONOMIC ENTITY 2007 Number	ECONOMIC ENTITY 2006 Number	THE COMPANY 2007 Number	THE COMPANY 2006 Number
At the beginning of the reporting period	**75,494,827**	**52,425,000**	**75,494,827**	**52,425,000**
Shares issued during the period:				
- Cancellation of shares	(9,000,000)	-	(9,000,000)	-
- Issue of shares to consultants	757,576	-	757,576	-
- Issue of shares pursuant to merger with K2 Energy Limited at 31 cents	49,673,919	-	49,673,919	-
- Option exercise	-	499,500		499,500
- Placement at $0.75 per share	-	4,400,000		4,400,000
- Share purchase plan $0.75 per share	-	6,170,327		6,170,327
- Drilling Program II-V shares issued at $0.60 per share	-	12,000,000		12,000,000
- Capital raising costs	-			
At end of reporting period	**116,926,322**	**75,494,827**	**116,926,322**	**75,494,827**

(i) Under an agreement with Metro in October 2004, Tomahawk acquired the option to participate in 5 separate drilling programs and requiring Tomahawk to drill a total of 30 wells. 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 returned 9 million shares in Tomahawk via a selective buy-back of shares. Shareholder approval for the return of shares for cancellation was obtained at the company's Annual General Meeting on 30 November 2006. On 23 January 2007, the 9 million shares were received and cancelled.

(ii) On 24th May 2007 the Company issued 49,673,919 ordinary shares to various parties pursuant to the Bidder's Statement issued by the Company dated 5th April 2007, relating to the merger with K2 Energy Limited.

(iii) On May 2007 the Company issued 757,576 ordinary shares to consultants resulting from the completion of the merger with K2 Energy Limited.

(iv) A further 1,926,081 shares and 885,208 options were issued on 10th July 2007, following the completion of the compulsory acquisition of the remaining K2 Energy Limited shares and options not yet acquired.

Terms and conditions of contributed equity

Ordinary shares
Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options over ordinary shares
During the year ended 30 June 2007, 29,114,792 (30th June 2006- 16,298,000) options have been issued over ordinary shares, exercisable at varying prices and periods. During the financial year 1,100,000 options exercisable at $0.40 each lapsed. Further details of the terms and conditions of these options are provided in note 16(d) and the Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

12. SHARE CAPITAL (CONT'D)

(c) Options

At the end of the reporting period, there are 44,312,792 options over unissued shares as follows

Type	No. Issued	No. Quoted	Exercise Price	Expiry Date
Listed Options	12,298,000	12,298,000	20 cents	31 December 2008
Listed Options	29,114,792	29,114,792	20 cents	30 September 2009
Unlisted Options	500,000	-	70 cents	31 December 2008
Unlisted Options	2,400,000	-	40 cents	31 December 2008

There have been no ordinary shares (2006- 499,500) issued as a result of the exercise of options during the financial year. A further 885,208 options were issued on 10th July 2007 following the completion of the compulsory acquisition of the remaining K2 Energy Limited.

13. ACCUMULATED LOSSES

	ECONOMIC ENTITY		THE COMPANY	
	30 June 2007 $	**30 June 2006 $**	**30 June 2007 $**	**30 June 2006 $**
Balance at beginning of the year	**(4,861,523)**	**(3,427,029)**	**(4,116,503)**	**(3,427,029)**
Net loss attributable to members	(28,041,002)	(1,434,494)	(27,167,829)	(689,474)
Balance at end of the year	**(32,902,525)**	**(4,861,523)**	**(31,284,332)**	**(4,116,503)**

14. RESERVES

SHARE BASED PAYMENT RESERVE				
Balance at beginning of the year	**2,183,300**	**2,078,300**	**2,183,300**	**2,078,300**
Share based payments	305,800	105,000	305,800	105,000
Balance at end of the year	**2,489,100**	**2,183,300**	**2,489,100**	**2,183,300**

Nature and purpose of reserve
The share based payment reserve is used to recognise the fair value of options issued.

FOREIGN CURRENCY TRANSLATION RESERVE				
Balance at beginning of the year	**(7,500)**	-	**-**	**-**
Currency translation differences arising during the year	1,292,750	(7,500)	-	-
Balance at end of the year	**1,285,250**	**(7,500)**	**-**	**-**

Nature and purpose of reserve
The foreign currency translation reserve is used to record exchange differences arising from the translations of the financial statements of foreign subsidiaries.

MINORITY INTEREST				
Balance at beginning of the year	**-**	**-**	**-**	**-**
Minority interest acquired	332,943	-	-	-
Balance at end of the year	**332,943**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

15. STATEMENT OF CASH FLOWS

	ECONOMIC ENTITY		THE COMPANY	
	Year Ended 30 June 2007 $	**Year Ended 30 June 2006 $**	**Year Ended 30 June 2007 $**	**Year Ended 30 June 2006 $**
(a) Reconciliation of loss after tax to the net cash flows from operations:				
Net loss	(28,041,002)	(1,434,494)	(27,167,829)	(689,473)
Non cash items				
Unrealised foreign currency (gains)/ losses	1,505,205	(470,303)	2,874,536	(4,835)
Amortisation	3,349,641	2,636,202	-	659,050
Provision for diminution of investment in subsidiary company	-	-	7,114,505	-
Provision for non recovery of intercompany loan	-	-	16,367,164	-
Share based payments	305,800	105,000	305,800	105,000
Cash flows not in current year loss				
Exploration, evaluation and development expenditure	-	(1,028,993)	-	-
Changes in assets and liabilities				
(Increase)/decrease in receivables	257,975	18,135	(570,655)	(244,195)
Increase/ (decrease) in payables and accruals	1,025,176	(864,385)	(832,367)	(864,385)
Increase in provisions	(9,539)	9,539	(9,539)	9,539
Net cash flows (used in) / from operating activities	(642,477)	(1,029,299)	(1,918,385)	(1,029,299)
(b) Reconciliation of cash:				
Cash balances comprises				
- Cash at bank	3,565,739	1,915,170	2,218	1,915,170
- US Dollar accounts	2,822,697	333,727	-	333,727
	6,388,436	2,248,897	2,218	2,248,897

(c) Non cash financing and investing activities

During the year ended 30 June 2006, the company issued a total of 12 million shares at $0.60 per share to acquire extra lease acreage for its oil and gas project in Oklahoma, USA. During the year the company issued 49,673,919 shares and 29,114,792 options to acquire shares and options in K2 Energy Limited.

16. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

(a) Details of Key Management Personnel

(i) Directors

Tony Brennan – Executive Chairman (resigned 23 May 2007)
Garry Ralston – Non-Executive Director (resigned 23 May 2007)
Frank Brophy – Non-Executive Director
Bob Rosenthal – Non-Executive Director
Samuel Gazal– Chairman (appointed 23 May 2007)
Peter Moore– Executive Director (appointed 23 May 2007)
Ken Gaunt- Executive Director (appointed 23 May 2007)

(ii) Executives

There are no executives.

Directors' remuneration and other terms of employment are reviewed annually by the remuneration committee having regard to performance against goals set at the start of the year, relative comparative information and independent expert advice.

Except as detailed in Notes16 (b) – (d), no director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in Notes 16(b) – (d) to, prepared in accordance with the Corporations regulations, or the fixed salary of a full time employee of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

16. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (CONT'D)

(b) Compensation of Key Management Personnel

Remuneration Policy

The Board of Directors, mainly comprising of non-executive directors, is responsible for determining and reviewing compensation arrangements for the executive team. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Remuneration of Directors is set out below. The Company has no specified executives.

	Short Term		Equity Compensation	Post-employment	
Directors	**Base Salary and Fees $**	**Bonus and Non Monetary Benefits $**	**Value of Options $**	**Superannuation Contributions $**	**TOTAL $**
Tony Brennan					
30 June 2006	124,010	-	-	11,161	135,171
30 June 2007	181,602	-	-	17,582	199,184
Garry Ralston					
30 June 2006	50,000	-	-	-	50,000
30 June 2007	26,495	-	-	-	26,495
Frank Brophy					
30 June 2006	29,167	-	-	-	29,167
30 June 2007	23,197	-	-	-	23,197
Bob Rosenthal					
30 June 2006	20,437	-	105,000	-	125,437
30 June 2007	18,714	-	-	-	18,714
Sam Gazal (appointed 30.6.07)					
30 June 2006	-	-	-	-	-
30 June 2007	-	-	-	-	-
Peter Moore * (appointed 30.6.07)					
30 June 2006	-	-	-	-	-
30 June 2007	10,194	-	-	917	11,111
Ken Gaunt (appointed 23.5.07)					
30 June 2006	-	-	-	-	-
30 June 2007	-	-	-	-	-
Total 2006	223,614	-	105,000	11,161	339,775
Total 2007	260,202	-	-	18,499	278,701

* Mr Moore's salary and superannuation contribution was paid by K2 Energy Limited.

(i) In accordance with AASB 2, options issued to Directors in previous years have been valued using a Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Although a value is ascribed and included in total Directors Remuneration, it should be noted that the Directors have not received this amount and the option may have no actual financial value unless the options achieve their exercise price. In the previous year the calculation of the option valuation included the share price on 28 March 2006 of $0.62, a volatility factor of 50% and an annual risk-free rate of 5.78%.

All transactions were entered into on normal commercial terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

16. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (CONT'D)

(c) Compensation of Key Management Personnel (Cont.)

(i) Compensation by Category

	ECONOMIC ENTITY		THE COMPANY	
	30 June 2007 $	30 June 2006 $	30 June 2007 $	30 June 2006 $
Short-term	260,202	223,614	250,008	223,614
Other long-term	-	-	-	-
Post employment benefits	18,499	11,161	17,582	11,161
Share based payments	-	105,000	-	105,000
	278,701	339,775	267,590	339,775

(d) Compensation Options: Granted and vested during the year

During and since the financial year ended 30 June 2007, no options relating to compensation were granted to directors and a total of 1,100,000 options exercisable at $0.40 lapsed.

During the financial year ended 30 June 2006, 500,000 options exercisable at $0.70 before 31 December 2008 were granted to Mr Bob Rosenthal. The options were issued free of charge, and were valued at A$0.21 per option at grant date using the Black & Scholes valuation model. All options vested upon issue and are not performance related.

The following table discloses the value of options granted, exercised or lapsed during the 2007 year:

	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed		Value of options included in remuneration for the year	Percentage of total remuneration for the year that consists of options
	Value at grant date	Value at exercise date	Value at time of lapse				
Director	$	$	$	$		$	%
A Brennan	-	-	55,250	55,250		-	-
G Ralston	-	-	16,250	16,250		-	-

The following table discloses the value of options granted, exercised or lapsed during the 2006 year:

	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed		Value of options included in remuneration for the year	Percentage of total remuneration for the year that consists of options
	Value at grant date	Value at exercise date	Value at time of lapse				
Director	$	$	$	$		$	%
B Rosenthal	105,000	-	-	105,000		105,000	83.8

On 20th July 2007 Mr Brophy resigned as a director of the company. As a result of his resignation his 400,000 options lapsed.

(e) Shares Issued on Exercise of Compensation Options

No shares were issued on exercise of compensation options during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

16. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (CONT.)

(f) Share and Option holdings

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

Shares held by Key Management Personnel

Year ended 30 June 2006

	Balance at beginning of year	Shares Issued	Options Exercised	Bought & (Sold)	Balance at date of retirement/ appointment	Balance at end of year
Directors						
Tony Brennan	2,619,333	-	-	6,502	-	2,625,835
Garry Ralston	695,000	-	-	-	-	695,000
Frank Brophy	11,200	-	-	14,800	-	26,000
Bob Rosenthal (appointed 7/2/06)	-	-	-	-	-	-
John Leenerts (resigned 7/2/06)	1,500,000	6,000,000	-	-	7,500,000	-
James Holcomb (resigned 7/2/06)	1,500,000	6,000,000	-	-	7,500,000	-
Total	6,325,533	12,000,000	-	21,302	15,000,000	3,346,835

Year ended 30 June 2007

	Balance at beginning of year	Shares Issued	Options Exercised	Bought & (Sold)	Balance at date of retirement/ appointment	Balance at end of year
Directors						
Tony Brennan (resigned 23/5/07)	2,625,835	-	-	-	2,625,835	-
Garry Ralston (resigned 23/5/07)	695,000	-	-	-	695,000	-
Frank Brophy	26,000	-	-	-	-	26,000
Bob Rosenthal	-	-	-	-	-	-
Samuel Gazal (appointed 23/5/07)	-	-	-	-	1,950,000*	1,950,000
Peter Moore (appointed 23/5/07)	-	-	-	-	11,100,000*	11,100,000
Ken Gaunt (appointed 23/5/07)	-	-	-	-	2,550,000*	2,550,000
Total	3,346,835	-	-	-	18,920,835	15,626,000

* Shares issued to K2 Energy Ltd shareholders pursuant to the merger.

Options held by Key Management Personnel

Year ended 30 June 2006

	Balance at 01.07.05	Received as Remuneration	Exercise of Options	Bought & (Sold)	Balance at date of retirement	Balance at 30.06.06	Total Vested	Total Exercisable
Directors								
Tony Brennan	1,410,000	-	-	-	-	1,410,000	1,410,000	1,410,000
Garry Ralston	635,000	-	-	-	-	635,000	635,000	635,000
Frank Brophy	400,000	-	-	-	-	400,000	400,000	400,000
Bob Rosenthal (appointed 7/2/06)	-	500,000	-	-	-	500,000	500,000	500,000
John Leenerts (resigned 7/2/06)	1,000,000	-	-	-	1,000,000	-	1,000,000	1,000,000
James Holcomb (resigned 7/2/06)	1,000,000	-	-	-	1,000,000	-	1,000,000	1,000,000
Total	4,445,000	500,000	-	-	2,000,000	2,945,000	4,945,000	4,945,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

16. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (CONT'D)

Options held by Key Management Personnel (Cont'd)

Year ended 30 June 2007

	Balance at 01.07.06	Received as Remuneration	Exercise of Options	Bought/ issued (Sold/lapsed)	Balance at 30.06.07	Total Vested	Total Exercisable
Directors							
Tony Brennan (resigned 23/5/07)	1,410,000	-	-	(1,410,000)	-	-	-
Garry Ralston (resigned 23/5/07)	635,000	-	-	(635,000)	-	-	-
Frank Brophy	400,000	-	-	-	400,000	400,000	400,000
Bob Rosenthal	500,000	-	-	-	500,000	500,000	500,000
Samuel Gazal (appointed 23/5/07)	-	-	-	1,125,000**	1,125,000	1,125,000	1,125,000
Peter Moore (appointed 23/5/07)	-	-	-	9,250,000**	9,250,000	9,250,000	9,250,000
Ken Gaunt (appointed 23/5/07)	-	-	-	1,187,500**	1,187,500	1,187,500	1,187,500
Total	2,945,000	-	-	9,517,500	12,462,500	12,462,500	12,462,500

All options received as remuneration by Directors up to 30 June 2006 were granted on 7 January 2006. The options may only be exercised at $0.40 and expire 31 December 2008. All these options vested at grant date and are not subject to performance hurdles.
** THKOA options issued to K2 Energy Ltd optionholders pursuant to the merger, exercisable at 20 cents.

Options issued as Part of Remuneration for the year-ended 30 June 2007

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to all directors of Tomahawk Energy Limited and its subsidiary to increase goal congruence between executives, directors and shareholders.

Employment Contracts of Directors and Senior Executives

Peter Moore is the only director who is currently a permanent employee of the Company. Mr Moore has an employment agreement with K2 Energy Limited. The contract is not for a fixed term. The contract states he can be terminated by the company by giving up to three months notice and by paying a redundancy of three months. Previously Mr Brennan was employed as Executive Chairman on 1 July 2006 but had no formal contract.

(g) Loans to Key Management Personnel

There were no loans to key management personnel during the financial year.

(h) Other Transactions and Balances with Key Management Personnel

Disclosures relating to other transactions and balances with key management personnel during the financial year are set out in note 19.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

17. SEGMENT INFORMATION

(a) Primary Segment - Geographical Segments

The Economic Entity has the following geographical segments:

United States of America
The United States of America ("USA") is the location of the Company's exploration and production activities and licence interests held.

Australia
Australia is the location of the central management and control of Tomahawk, including where company secretarial services, accounting and cash management operations are performed.

30 June 2006 Primary Reporting – Geographical Segments	$ **USA**	$ **Australia**	$ **Eliminations**	$ **Consolidated**
Revenues from operations	2,331,075	193,237	-	2,524,312
Segment result (loss)	(909,859)	(524,635)		(1,434,494)
Segment assets	26,553,734	2,587,869	-	29,141,603
Segment liabilities	1,056,806	136,087	-	1,192,893
Acquisitions of plant and equipment, exploration and evaluation, and other non-current segment assets	4,960,198	-	-	4,960,198
Depreciation and amortisation	2,636,202	-	-	2,636,202
Other non-cash expenses	-	105,000	-	105,000

30 June 2007 Primary Reporting – Geographical Segments	**$ USA**	**$ Australia**	**$ Eliminations**	**$ Consolidated**
Revenues from continuing operations	1,173,342	48,643	-	1,221,985
Segment result (loss)	(19,783,198)	(8,257,804)	-	(28,041,002)
Segment assets	7,706,530	4,667,172	-	12,373,702
Segment liabilities	133,968	151,619	-	285,587
Acquisitions of plant and equipment, exploration and evaluation, and other non-current segment assets	3,662,400	-	-	3,662,400
Depreciation and amortisation	3,349,641	-		3,349,641
Other non-cash expenses	-	305,800	-	305,800

(b) Secondary Segment - Business Segments

Oil & Gas Exploration
The Economic Entity operates solely in the Oil and Gas Exploration and Production, with interests in oil and gas in the USA state of Oklahoma.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		ECONOMIC ENTITY	
		As at 30 June 2007 $	As at 30 June 2006 $
18. LOSS PER SHARE			
Basic loss per share (cents per share)		(35.5)	(2.10)
Loss used in calculation of basic and diluted earnings per share		(28,041,002)	(1,434,494)
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	(i)	78,849,339	68,429,010

(i) Share options are not considered dilutive, as their impact would be to decrease the net loss per share. Accordingly, diluted loss per share has not been disclosed.

19. RELATED PARTY DISCLOSURES

Ultimate Parent
Tomahawk Energy Limited is the ultimate Australian parent company.

Other Related Party Transactions

(i) In the twelve months to 30 June 2007 fees of $52,000 (30 June 2006: $42,000) were paid to Delta Capital Pty Ltd (a Company in which Mr Brennan has a financial interest) for the provision of administrative services.

(ii) A total of $nil (2006- $63,431) were paid or payable to Delta Securities Pty Ltd (a Company in which Mr Brennan also has a financial interest) for the management of the company’s capital raising activities.

(iii) Amount of $11,111 (2006-nil) was paid to Winchester Associates Pty Limited (a company associated with Mr Gazal) for financial advisory services provided to K2 Energy Limited, subsequent to it becoming a subsidiary.

(iv) Amounts of $15,837 (2006-nil) for advisory services and $1,520 (2006 nil) for rent were paid to Aspen Energy Inc (a company associated with Mr Reed) provided to K2 Energy USA Inc, subsequent to it becoming a subsidiary.

(v) Amount of $15,837 (2006-nil) was paid to Geoflite Inc. (a company associated with Mr Moore) for technical and advisory services provided to K2 Energy USA Inc. subsequent to it becoming a subsidiary.

(vi) Amount of $31,674 (2006-nil) was paid to Geoflite Inc. (a company associated with Mr Moore) for licensing fees in relation to the Geoflite technology.

All the above payments were made on normal commercial terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

20. INTEREST IN SUBSIDIARIES

The following companies are subsidiaries of Tomahawk Energy Limited.

Name	Country of Incorporation	Percentage of equity interest held by consolidated entity		Investment	
		2007 %	**2006 %**	**2007 $**	**2006 $**
THK Energy (USA), Inc.	United States of America	**100**	**100**	-	1,270
K2 Energy Limited	Australia	**96.27**	**-**	-	-
K2 Energy USA Inc.	United Sates of America	**96.27**	**-**	-	-

Control of K2 Energy Limited and its wholly owned subsidiary K2 Energy USA Inc was gained on 23rd May 2007. The Company compulsorily acquired the remaining shares and options it did not own in K2 Energy Limited on 10th July 2007.

ACQUISITION OF K2 ENERGY LIMITED

a) On 23rd May 2007, the Group acquired 96.27% of the issued capital of K2 Energy Limited for a total consideration of $16,039,335. The purchase of all the issued shares in the company was satisfied by the issue of 49,673,919 ordinary shares at an issue price of $0.31 each and related costs of $640,421. The issue price was based on the market price on date of purchase.

	$
Purchase consideration	
Acquisition related costs	640,421
Issue of 49,673,919 ordinary shares at a deemed price of $0.31 each	15,398,914
Total purchase consideration	16,039,335
Fair value of net identifiable assets acquired	8,593,155
Goodwill	7,446,180

b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:	**Acquiree's carrying amount $**	**Fair Value $**
Cash and cash equivalents	6,148,012	6,148,012
Receivables	366,954	366,954
Exploration and evaluation expenditure	2,185,273	2,185,273
Property, Plant and Equipment	15,572	15,572
Payables and provisions	(122,656)	(122,656)
Net identifiable assets acquired	8,593,155	8,593,155

The financial effects of the above transaction have been brought to account at 30 June 2007.

The assets and liabilities arising from the acquisition are recognised at fair value which was written off upon application of an impairment test. At the date of this report, K2 Energy Limited has not contributed to group loss since acquisition due to an immaterial change in the net assets of K2 Energy Limited between the date of acquisition and balance date.

Had the results relating to K2 Energy Limited been consolidated from 23rd May 2007, consolidated revenue would not have been materially different for the year ended 30th June 2007 to the result contained in these accounts.

NOTES TO THE FINANCIAL STATEMENTS
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30 JUNE 2007

21. AUDITORS' REMUNERATION

	ECONOMIC ENTITY		THE COMPANY	
	30 June 2007 $	30 June 2006 $	30 June 2007 $	30 June 2006 $
Amounts received or due and receivable by Stantons International for:				
- an audit of the financial report of the Company at the financial year end and review at half year	18,596	32,500	18,596	32,500
Amounts received or due and receivable by other auditors of subsidiary companies:				
- an audit of the financial reports of subsidiary companies during the financial year	46,303	-	-	-
	64,899	32,500	18,596	32,500

22. FINANCIAL INSTRUMENTS

(a) Financial risk management and risk policies
The consolidated entity's principal financial instruments comprise bank overdrafts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the entity's operations. The entity has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the entity's policy that no trading in financial instruments shall be undertaken. The main risks arising from the entity's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(b) Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

(c) Interest rate risk
The entity is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entity does not have short or long term debt, and therefore this risk is minimal. The entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

22. FINANCIAL INSTRUMENTS (CONT'D)

30 June 2006

	Average Effective Interest Rate %	Floating Interest Rate $	Fixed Interest Rate Maturing: Within 1 Year $	1 to 5 years $	More than 5 years $	Non-Interest Bearing $	Total $
FINANCIAL ASSETS							
Cash assets (AUD accounts)	4.10%	1,915,170	-	-	-	-	1,915,170
Cash assets (USD account)	3.56%	333,727	-	-	-	-	333,727
Trade and other receivables		-	-	-	-	338,972	338,972
		2,248,897	-	-	-	338,972	2,587,869
FINANCIAL LIABILITIES							
Trade and other payables		-	-	-	-	1,183,354	1,183,354
Employee entitlements		-	-	-	-	9,539	9,539
		-	-	-	-	1,192,893	1,192,893
NET FINANCIAL ASSETS / (LIABILITIES)		2,248,897	-	-	-	(853,921)	1,394,976

30 June 2007

	Average Effective Interest Rate %	Floating Interest Rate $	Fixed Interest Rate Maturing: Within 1 Year $	1 to 5 years $	More than 5 years $	Non-Interest Bearing $	Total $
FINANCIAL ASSETS							
Cash assets (AUD accounts)	3.85%	3,565,739	-	-	-	-	3,565,739
Cash assets (USD account)	3.24%	2,822,697	-	-	-	-	2,822,697
Trade and other receivables		-	-	-	-	83,039	83,039
		6,388,436	-	-	-	83,039	6,471,475
FINANCIAL LIABILITIES							
Trade and other payables		-	-	-	-	285,587	285,587
		-	-	-	-	285,587	285,587
NET FINANCIAL ASSETS /(LIABILITIES)		6,388,436	-	-	-	(202,548)	6,185,888

(d) Net fair values of financial assets and liabilities

All financial assets and liabilities have been recognised at the balance date at their net fair values.
The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised Financial Instruments
Cash and cash equivalents: The carrying amount approximates fair value because of their short-term maturity.

Receivables and payables: The carrying amount approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007		2006	
	Carrying Amount $	Net Fair Value $	Carrying Amount $	Net Fair Value $
FINANCIAL ASSETS				
Cash assets (AUD accounts)	3,565,739	3,565,739	1,915,170	1,915,170
Cash assets (USD account)	2,822,697	2,822,697	333,728	333,728
Trade and other receivables	83,039	83,039	338,970	338,970
	6,471,475	6,471,475	2,587,868	2,587,868
FINANCIAL LIABILITIES				
Trade and other payables	285,587	285,587	1,183,354	1,183,354
Employee entitlements	-	-	9,539	9,539
	285,587	285,587	1,192,893	1,192,893

22. FINANCIAL INSTRUMENTS (CONT.)

(e) Credit risk exposures

The entity's maximum exposure to credit risk at each balance date in relation to each class of recognised financial assets is the carrying amount, net of any provision for doubtful debts, of those assets as indicated in the balance sheet.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The consolidated entity measures credit risk on a fair value basis.

Concentration of Credit Risk

The entity is not materially exposed to any individual overseas country or individual customer.

(f) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(g) Foreign exchange risk management

The consolidated entity undertakes its exploration and production transactions denominated in US currency. However, the entity's exposure to exchange rate fluctuation is minimal as it also generates oil and gas revenue in US currency. The policy is to maintain adequate cash flow in the entity's US currency account.

23. CONTINGENT ASSETS AND LIABILITIES

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 2006:

- 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.

Apart from the matter above, the economic entity is not aware of any contingent liabilities which existed as at the end of the financial year or have arisen as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2007

24. EMPLOYEE BENEFITS

At 30 June 2007, Tomahawk Energy had 2 employees (2006: 1).

Employee Incentive Option Plan
The Company has an Employee Incentive Scheme approved at the general meeting held on 29 December 2004.

The plan provides for the Board to elect to offer Options to an employee having regard to the potential contribution of the employee to the group and any other matters the Board considers relevant.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the Rules of the Scheme, is the price determined by the Board and advised to the employee when Options are offered to the employee.

All options expire on the earlier of their termination date or 30 days following termination of the employee's employment. Options vest on granting, however exercise can be conditional upon the consolidated entity achieving certain performance hurdles as determined by the Board of directors.

There are no voting or dividend rights attaching to the options. There are no voting rights attaching to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

Details of shares and options issued to Directors are included in the Remuneration Report and in note 16.

25. SHARE BASED PAYMENT PLANS

Options are issued to directors and executives as part of their remuneration under the company's Employee Incentive Option Plan as described in Note 24. The options are not issued based on performance criteria, but are issued to all directors of Tomahawk Energy Limited and its subsidiary to increase goal congruence between executives, directors and shareholders.

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	ECONOMIC ENTITY		**COMPANY**	
2007	**Number of Options**	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**
Outstanding at beginning of the year	4,000,000	0.44	4,000,000	0.44
Granted during the year	2,000,000	0.20	2,000,000	0.20
Lapsed during the year	(1,100,000)	0.40	(1,100,000)	0.40
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	4,900,000	0.35	4,900,000	0.35
Exercisable at the end of the year	4,900,000	0.35	4,900,000	0.35

The outstanding balance as at 30 June 2007 is represented by:

- 2,400,000 options over ordinary shares with an exercise price of $0.40 each on or before 31st December 2008.
- 500,000 options over ordinary shares with an exercise price of $0.70 each on or before 31st December 2008.
- 2,000,000 options over ordinary shares with an exercise price of $0.20 each on or before 30th September 2009.

(i) Included under employee benefits expense in the income statement is $nil (2006: $105,000), and relates, in full, to equity-settled share-based payment transactions.

(ii) Included under consultants expense in the income statement is $305,800 (2006: $nil), and relates, in part, to equity-settled share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2007

25. SHARE BASED PAYMENT PLANS (CONT.)

	ECONOMIC ENTITY		COMPANY	
2006	**Number of Options**	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**
Outstanding at beginning of the year	3,500,000	0.40	3,500,000	0.40
Granted during the year	500,000	0.70	500,000	0.70
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	4,000,000	0.44	4,000,000	0.44
Exercisable at the end of the year	4,000,000	0.44	4,000,000	0.44

The weighted average remaining contractual life for the share options outstanding as at 30 June 2007 is 1.5 years (2006: 2.5 years).
The range of exercise prices for options outstanding at the end of the year was between $0.20 – $0.70 (2006: $0.40- $0.70).
The weighted average fair value of options granted during the year was $0.15 (2006: $0.21).

The following table lists the inputs to the model used for the years ended 30 June 2006 and 30 June 2007:

Input into model	**2007**	**2006**
Dividend yield (%)	-	-
Expected volatility (%)	44%	50%
Risk-free interest rate (%)	5.97%	5.78%
Expected life of options (years)	2.34 years	2.76 years
Option exercise price ($)	$0.20	$0.70
Weighted average share price at grant date ($)	$0.31	$0.62

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The fair value of the cash-settled options is measured at the grant date using the Black-Scholes options pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services are recognised over the expected vesting period. Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss.

26. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance that has arisen since the end of the period to the date of this report that has significantly affected or may affect:

(iv) The operations of the company and the entities that it controls
(v) The results of those operations
(vi) The state of affairs of the company in subsequent years, other than as set out below.

A further 1,926,081 shares and 885,208 options were issued on 10th July 2007, following the completion of the compulsory acquisition of the remaining K2 Energy Limited shares and options.

The company has an ongoing exploration program. Since balance date Tomahawk has participated in discoveries in the Priegel and Patriot wells in Oklahoma and the Alex # 1 well and Gayle # 1 well in Texas. Some of the company's wells are in production and others are in various stages of completion.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

27. COMMITMENTS FOR EXPENDITURE

Tomahawk currently assesses and drills wells on a well by well basis. The company is expecting to participate in a workover program in Oklahoma and other drilling prospects however at balance date there were no material commitments for future expenditure.

28. CHANGE IN ACCOUNTING POLICY

(a) The following Australian Accounting Standards have been issued or amended and are applicable to the company but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	AASB Standard Affected	Nature of Change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Group
2005–10	AASB 1: First time adoption of AIFRS	No change, no impact	1 January 2007	1 July 2007
	AASB 4: Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2007	1 July 2007
	AASB 114: Segment Reporting	No change, no impact	1 January 2007	1 July 2007
	AASB 117: Leases	No change, no impact	1 January 2007	1 July 2007
	AASB 133: Earnings per share	No change, no impact	1 January 2007	1 July 2007
	AASB 1023: General Insurance	No change, no impact	1 January 2007	1 July 2007
	AASB 1038: Life Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2007	1 July 2007
AASB 7: Financial Instruments: Disclosure	AASB 132: Financial Instruments: Disclosure and Presentation	No change, no impact	1 January 2007	1 July 2007

The disclosure requirements of AASB 132 Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7 Financial Instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 16 to 49, are in accordance with the Corporations Act 2001:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company and economic entity; and

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. 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 made in accordance with a resolution of the Board of Directors.

Mr Sam Gazal
Chairman

28 September 2007

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

Report on the Financial Report

We have audited the accompanying financial report of Tomahawk Energy Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the 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 control relevant to the preparation and fair presentation of the 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. In note 1 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards, but that the financial report of the Company does not comply.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Tomahawk Energy Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1 (a).

STANTONS INTERNATIONAL
(An Authorised Audit Company)

Stantons International

J P Van Dieren
Director

West Perth, Western Australia
28 September 2007

Stantons International

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28 September 2007

Board of Directors
Tomahawk Energy Limited
Level 2, Kyle House
27 Macquarie Place
SYDNEY NSW 2000

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 audit of the financial statements of Tomahawk Energy Limited for the year ended 30 June 2007, 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 audit; and

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

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)

John Van Dieren
Director

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the company as at 26th September 2007 was as follows:

	Class of Equity Securities		
Number Held	**Fully Paid Ordinary Shares**	**Options expiring 31st December 2008**	**Options expiring 30th September 2009**
1-1,000	101,872	3,600	0
1,001 - 5,000	841,778	339,500	523,250
5,001 – 10,000	3,655,801	197,150	475,875
10,001 - 100,000	25,526,414	2,269,267	2,654,757
100,001 and over	88,729,038	9,488,483	26,343,618
TOTALS	**118,854,903**	**12,298,000**	**29,997,500**

Holders of less than a marketable parcel – fully paid shares: 336

Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 26th September 2007

Shareholder	Number
Edwards Meadows Pty Limited <Moore Investment A/C>	11,100,000

Restricted Securities

The Company has issued the following restricted securities:

Class of Equity Security	Number	Date Ceasing To Be Restricted Securities
Fully paid ordinary shares	15,600,000	14th November 2008

Voting Rights

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

ADDITIONAL SHAREHOLDER INFORMATION (CONT.)

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 26th September 2007 are as follows:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Edwards Meadows Pty Limited <Moore Investment A/C>	11,100,000	9.339
Anz Nominees Limited <Cash Income A/C>	8,796,497	7.401
Golden Words Pty Ltd	4,320,958	3.635
Mr Ryan Michael Moynagh	3,157,576	2,657
Blazzed Pty Limited <The Gaunt Management A/C>	2,550,000	2.145
Chaus Capital Pty Ltd	2,540,001	2.137
Aspen Energy Pty Limited	1,800,000	1.514
Balander Pty Limited <Super Fund A/C>	1,770,000	1.489
Ravenhill Investments Pty Ltd <House Of Equity A/C>	1,560,000	1.313
Towertun Pty Ltd	1,550,000	1.304
Merrill Lynch (Australia) Nominees Pty Limited	1,543,473	1.299
Heenalu Pty Ltd	1,500,000	1.262
Your Care Pty Ltd	1,500,000	1.262
Arkkindale Pty Ltd	1,500,000	1.262
Mrs Michelle Doro Denny <Pirates Cove A/C>	1,045,000	0.879
ACAO Capital Pty Ltd <ACAO Capital Investments A/C>	960,000	0.808
Mr Peter Tsu & Mr Sonny Berglund	900,000	0.757
Mr Ian Scott Robertson <The Robertson Fam Unit A/C>	900,000	0.757
Hyperion Capital Pty Limited	900,000	0.757
Moana Nominees Pty Limited C/- Jdv Limited	823,609	0.693
TOTAL	**50,717,114**	**2,697.013**

Twenty Largest Optionholders

The names of the twenty largest 20 cent option holders as at 26th September 2007 are as follows:

Name	Number of 31 December 2008 Options Held	% Held of Class of Equities	Name	Number of 30 September 2009 Options Held	% Held of Class of Equities
Mr Ryan Michael Moynagh	1,300,000	10.571	Edwards Meadows Pty Limited <Moore Investment A/C>	9,250,000	30.836
Merrill Lynch (Australia) Nominees Pty Limited	1,000,000	8.131	Aspen Energy Pty Limited	1,500,000	5.000
Golden Words Pty Ltd	852,200	6.930	Blazzed Pty Limited <The Gaunt Management A/C>	1,187,500	3.959
Towertun Pty Ltd	800,000	6.505	Balander Pty Limited <Super Fund A/C>	1,050,000	3.500
Mr Craig Ian Burton <CI Burton Family A/C>	700,000	5.692	Golden Words Pty Ltd	1,000,000	3.334
Chaus Capital Pty Ltd			Timbina Pty Limited <Super Fund A/C>	1,000,000	3.334
Hsbc Custody Nominees (Australia) Limited - A/C 2	525,000	4.269	Anz Nominees Limited <Cash Income A/C>	940,000	3.134
Mrs Kathryn Margaret Evans	500,000	4.066	Golden Words Pty Ltd	793,750	2.646
Ravenhill Investments Pty Ltd <House Of Equity A/C>	475,000	3.862	Hyperion Capital Pty Limited	750,000	2.500
Wildglade Pty Ltd	375,000	3.049	Heenalu Pty Ltd	625,000	2.084
Mr Bruce Maurice Williams <Williams Family A/C>	375,000	3.049	Arkkindale Pty Ltd	625,000	2.084
Mr James Patrick Robinson	364,150	2.961	Echo Beach Pty Ltd	625,000	2.084
Grady Enterprises Pty Ltd <Grady Family A/C>	305,000	2.480			
Mr Kenneth Geoffrey Turner	250,000	2.033	Todbern Pty Ltd	500,000	1.667
Mr Adrian Probert	250,000	2.033	ACAO Capital Pty Ltd <ACAO Capital Investments A/C>	400,000	1.333
Moana Nominees Pty Limited C/- JDV Limited	250,000	2.033	Mr Ian Scott Robertson <The Robertson Fam Unit A/C>	375,000	1.250
Anz Nominees Limited <Cash Income A/C>	236,000	1.919	Plan B Trustees Limited <Lifetime Invest Service A/C>	312,500	1.042
Making Fortunes Pty Ltd <The NB Property A/C>	215,000	1.748	Haydalex Pty Ltd <Haydalex A/C>	312,500	1.042
Shane Hoehock Wee <Wee Family A/C>	171,000	1.390	Jayden Investments Pty Ltd	312,500	1.042
Greenlane (Vic) Pty Ltd <The Weng Lim Fam A/C>	166,000	1.350	Nukarni Pty Ltd <Woods Family A/C>	312,500	1.042
	135,000	1.098			
Total	**9,244,350**	**75.169**	**Total**	**21,871,250**	**72.913**

SCHEDULE OF LEASE INTERESTS
AS AT 27 September 2007

Section-Township-Range	***Well Lease***	***Quadrant***	***Area***	***Interest held by Tomahawk Energy Limited***
13-T1ON-R11E	Snell-Heirs # 4 – 13	SE, SW, NE	Wellbore only	50% WI (37.5% NRI)
	Snell-Heirs # 6 - 13	NE/4, NE/4	120 Acres	BP 75% WI (56.25% NRI) AP 50% WI (37.5% NRI)
	Snell-Heirs # 7 - 13	SW4, SE4		
	Snell-Heirs # 8 - 13	SE/4, SW/4		
	Snell-Heirs # 9 - 13 (Accl)	SE/4, SW/4	Wellbore only	50% WI (37.5% NRI)
16-T10N-R12E	Hudson # 1 – 16	SE/4, SW/4	280 Acres	100% WI (71.5% NRI)
17-T10N-R12E	Longview 1 – 17	SE4	160 Acres	100% WI (71.5% NRI)
	Longview 2 – 17	W2 SW4	160 Acres	
	THK Snell # 1 – 17	NE/4, SE/4	160 Acres	100% WI (71.5% NRI)
	THK Snell # 2 - 17 (Accl)	NE/4, SE/4	Wellbore only	
18-T1O-R12E	Snell-Heirs # 4 - 18	NE4	160 Acres	100% WI (71.5% NRI)
	Snell-Heirs # 5 - 18 (Accl)	NE4	Wellbore only	
19-T10N-R12E	Snell-Heirs # 2 – 19	SE4 NW4	40 Acres	BP 75% WI (56.25% NRI) AP 50% WI (37.5% NRI)
	Snell-Heirs # 4 - 19 (Accl)	SE4 NW4	Wellbore only	
	Snell-Heirs # 3 – 19	SE4 NE4	40 Acres	BP 75% WI (56.25% NRI) AP 50% WI (37.5% NRI)
	Snell-Heirs # 5 - 19 (Accl)	SE4 NE4	Wellbore only	
20-T10N-R12E	Snell-Heirs # 1 – 20	NW/4, NW/4	160 Acres Wellbore Only	50% WI (37.5% NRI)
27-T10N-R9E	Long # 1 – 27	NW/4	160 Acres	100% WI (71.5% NRI)
28-T10N-R9E	Palmer # 1 – 28	NE/4	160 Acres	100% WI (71.5% NRI)
36-T10N-R9E	Martin # 1-36	SE/4	160 Acres	100% WI (71.5% NRI)
Hidalgo County, Texas	Alex # 1	Llano Grande Grant (A-54)	1080 Gross Acres	10% WI BCP / 7.5% WI ACP 7.5% WI ACP (5.4% NRI)
Brazoria County, Texas	Gayle # 1	A-127	102.59 Gross Acres	9.722% WI BP 8.479% WI AP
Hidalgo County, Texas	Shary # 1	San Salvador Del Tule, A-290	800 Acres	9.06664 % WI BCP
	Shary # 2	San Salvador Del Tule, A-290	800 Acres	6.8% WI ACP (5.032% NRI) ACP

WI- Working Interest **BP- Before Payout** **BCP- Before Casing Point**
NRI- Net Revenue Interest **AP- After Payout** **ACP- After Casing Point**