

K2 ENERGY LIMITED

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ASX/Media Release

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K2 ENERGY TO MERGE WITH TOMAHAWK ENERGY

The Directors of K2 Energy Limited ("K2 Energy") are pleased to announce that the company has agreed to merge with Tomahawk Energy Limited ("Tomahawk"). Tomahawk is an ASX listed company.

The merger will be carried out by Tomahawk making a takeover bid for all the shares and options in K2 Energy. Accompanying this announcement is a copy of the ASX announcement made by Tomahawk today concerning the merger (including the conditions on which the merger will proceed).

Under the merger Tomahawk will offer:

- 6 new Tomahawk fully paid ordinary shares for every 10 fully paid ordinary shares in K2 Energy; and
- 3 new Tomahawk 31 December 2008 options for every 7 options held in K2 Energy.

Application will be made for the new Tomahawk shares and options issued under the Offer to be quoted on ASX.

A total of approximately 51.6m shares and approximately 24m options will be issued by Tomahawk to the shareholders and option holders of K2 Energy as part of the merger. On completion of the merger Tomahawk's approximate capital position will be as follows:

Shares	118.095m
Listed options	36.298m
Unlisted options	1.350m

The directors of K2 Energy intend to recommend the offer, subject to satisfactory completion of legal due diligence in relation to Tomahawk's US oil and gas interests in the absence of:

- a superior proposal; and
- a Tomahawk Prescribed Occurrences occurring before the end of the offer period (refer to Annexure 1 of the attached ASX announcement by Tomahawk).

Tomahawk's bidder's statement and K2 Energy's target statement are expected to be mailed to K2 Energy shareholders and option holders by late March 2007. It is anticipated that the merger will be completed within 90 days.

Subject to successful completion of the takeover it is expected that a number of board changes will be made to the Board of Tomahawk. On the offer becoming unconditional and 90% acceptance being reached two members will retire from the Board of Tomahawk, with Peter Moore, Sam Gazal and Ken Gaunt, who are currently directors of K2 Energy, being invited to join the Board of Tomahawk.

Should you have any queries regarding this announcement please contact Peter Moore on (02) 92513311.

Peter Moore
Executive Chairman



TOMAHAWK TO MERGE WITH K2 ENERGY LIMITED

The Directors of Tomahawk Energy Limited (ASX: THK) are pleased to announce that the company has agreed with K2 Energy Limited (K2 Energy) to merge. The merger is to be carried out by Tomahawk making a takeover offer (Offer) for K2 Energy. The Offer will be subject to two conditions only, namely:

- Before the end of the Offer period, Tomahawk has a relevant interest in no less than 90% of all K2 Energy shares and options on issue at that time; and
- There being no K2 Energy Prescribed Occurrences (refer to Annexure 1) before the end of the offer period.

The Directors of Tomahawk have been informed that the directors of K2 Energy intend to recommend the offer subject to satisfactory completion of routine legal due diligence in relation to Tomahawk's US oil and gas interests, there being no Tomahawk Prescribed Occurrences (refer to Annexure 1) and in the absence of a superior proposal.

K2 Energy listed on the ASX in November 2006 after raising approximately \$12m and to date has invested in a number of oil and gas drilling projects in Texas, Michigan, Louisiana, Illinois and Alabama.

In addition to these projects K2 Energy has approximately \$10m cash which will be applied to the Tomahawk leases to increase the pace of development.

Proposed Offer terms:

Under the merger Tomahawk will offer:

- 6 new Tomahawk fully paid ordinary shares for every 10 fully paid ordinary shares in K2 Energy; and
- 3 new Tomahawk 31 December 2008 options for every 7 options held in K2 Energy.

Tomahawk will make application with the ASX to have the shares and options issued under the Offer to be quoted.

A total of approximately 51.6m shares and approximately 24m options will be issued by Tomahawk to the share and option holders of K2 Energy under the Offer. On completion of the merger Tomahawk's approximate capital position will be as follows:

Shares	118.095m
Listed options	36.298m
Unlisted options	1.350m

It is our view that the next phase for smaller players in the sector will be one of consolidation and it is our intention for Tomahawk to be an active participant in that process so that when combined with ongoing project development we deliver a robust growth profile for share holders. This first step is a major development for us as it brings together all the pieces required to build a successful company.

For the first time we will now have access to adequate capital to fully exploit both the conventional and unconventional formations in the highly prospective oil and gas project in Oklahoma, USA. During these past years we have raised relatively small amounts of capital, typically \$2 to \$3m each time which has determined the pace of development. With the \$10m that K2 Energy brings we will now be able to get onto the front foot and aggressively develop the project.

Not only is the cash important but also the management team, both in Australia and the US, and K2's proprietary technology are very complimentary. The Geoflite technology analyses airborne multi-spectral image data to detect rock fracture and jointing in the earth's crust. The identified fracture and joint systems are then tested for hydrocarbon leakage along the fractures with proprietary soil geochemistry techniques to measure hydrocarbon leakage that can possibly indicate hydrocarbon accumulations at depth. This technology has the potential to add significantly to the success of the exploration program of the company in both conventional and unconventional gas exploration activities.

By merging K2 Energy and Tomahawk we believe we can unlock tremendous shareholder value. The magnitude of the unconventional Shale targets is of great interest however in the immediate term we intend to use the cash to focus on using the Schlumberger review to increase production from existing resources behind pipe in wells already drilled and using the proprietary 3D seismic information that Tomahawk has acquired to generate large scale, low risk conventional targets for immediate drilling

The whole package of the Tomahawk project, the K2 Energy projects, substantial cash reserves, strong technical management and the technology make the future of Tomahawk extremely exciting.

Proposed board changes:

Subject to successful completion of the takeover it is expected that a number of board changes will be made to bring representatives of K2 Energy onto the Tomahawk board. Peter Moore, Sam Gazal and Ken Gaunt, directors of K2 Energy, will be invited to join the Board of Tomahawk, on the offer becoming unconditional and 90% acceptance being reached, and two current members of the Tomahawk Board will retire from the Board at that time.

Proposed timetable

Tomahawk's bidder's statement and K2 Energy's target statement are expected to be mailed to K2 Energy shareholders and option holders by late March 2007. It is anticipated that the merger will be completed within 90 days.

Should you have any queries regarding this announcement or any aspect of the company's development please contact the undersigned on +61 8 9223 9811

Tony Brennan
Chairman
23 February 2007

For more detailed information on both companies please visit:

www.tomahawkenergy.com.au

www.k2energy.com.au

Annexure 1

In this announcement:

K2 Energy Prescribed Occurrences means the occurrence of any of the following events:

- (a) K2 Energy converts all or any of its securities into a larger or smaller number of securities;
- (b) K2 Energy or a subsidiary of K2 Energy resolves to reduce its capital in any way;
- (c) K2 Energy or a subsidiary of K2 Energy:
 - (i) enters into a buyback agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act.
- (d) K2 Energy or a subsidiary of K2 Energy issues shares, or grants an option over its shares or agrees to make such an issue or grant such an option except where a K2 Energy share is issued on the exercise of a K2 Energy option
- (e) K2 Energy or a subsidiary of K2 Energy issues, or agrees to issue, convertible notes;
- (f) K2 Energy or a subsidiary of K2 Energy disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) K2 Energy or a subsidiary of K2 Energy charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) K2 Energy or a subsidiary of K2 Energy resolves that it be wound up;
- (i) a liquidator or provisional liquidator of K2 Energy or a subsidiary of K2 Energy is appointed;
- (j) a court makes an order for the winding up of K2 Energy or a subsidiary of K2 Energy;
- (k) an administrator of K2 Energy, or of a Subsidiary, is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (l) K2 Energy or a subsidiary of K2 Energy executes a deed of company arrangement; or
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of K2 Energy or a subsidiary of K2 Energy.

Tomahawk Prescribed Occurrences means the occurrence of any of the following events:

- (a) Tomahawk converts all or any of its securities into a larger or smaller number of securities;
- (b) Tomahawk or a subsidiary of Tomahawk resolves to reduce its capital in any way;
- (c) Tomahawk or a subsidiary of Tomahawk:
 - (i) enters into a buyback agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act.
- (d) Tomahawk or a subsidiary of Tomahawk issues shares, or grants an option over its shares or agrees to make such an issue or grant such an option except where:
 - (i) occurs pursuant to Tomahawk's takeover offer for K2 Energy; or
 - (ii) a Tomahawk share is issued on the exercise of a Tomahawk option;
- (e) Tomahawk or a subsidiary of Tomahawk issues, or agrees to issue, convertible notes;
- (f) Tomahawk or a subsidiary of Tomahawk disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) Tomahawk or a subsidiary of Tomahawk charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) Tomahawk or a subsidiary of Tomahawk resolves that it be wound up;
- (i) a liquidator or provisional liquidator of Tomahawk or a subsidiary of Tomahawk is appointed;
- (j) a court makes an order for the winding up of Tomahawk or a subsidiary of Tomahawk;
- (k) an administrator of Tomahawk, or of a Subsidiary, is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (l) Tomahawk or a subsidiary of Tomahawk executes a deed of company arrangement; or
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Tomahawk or a subsidiary of Tomahawk.