

BIDDER'S STATEMENT

BY



TOMAHAWK ENERGY LIMITED

ABN 99 106 609 143

In relation to an off-market bid to acquire all of your fully paid ordinary shares,
and a separate off-market bid to acquire all of your options to acquire fully
paid ordinary shares, in

K2 ENERGY LIMITED

ABN 19 115 310 560

This Bidder's Statement is dated 5 April 2007. A copy of this Bidder's
Statement was lodged with the ASIC on 5 April 2007. The ASIC takes no
responsibility for the content of this Bidder's Statement.

Legal adviser to Tomahawk:

STEINEPREIS PAGANIN

LAWYERS & CONSULTANTS



CORPORATE DIRECTORY

Company

Tomahawk Energy Limited
Level 25, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Share Registry

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

Legal Adviser

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Auditor

Stantons International
Level 1, 1 Havelock Street
WEST PERTH WA 6005

Important Dates:

Date Bidder's Statement was lodged with the ASIC and date of Bidder's Statement	5 April 2007
Date of Offers	23 April 2007
Offers close, unless extended*	23 May 2007

Note:

* This date is indicative only and may be changed as permitted by the Corporations Act.

Important Information

This document is the Bidder's Statement from Tomahawk Energy Limited ABN 99 106 609 143 in relation to its off-market bid for all of the shares and options in K2 Energy Limited ABN 19 115 310 560.

ASIC

This Bidder's Statement is dated 5 April 2007 and copy of that Bidder's Statement was lodged with the ASIC on that date. Neither the ASIC nor any of its officers takes any responsibility for the content of this Bidder's Statement.

Investment Decision

This Bidder's Statement does not take into account the individual investment objectives, financial situation or particular needs of each K2 Energy Shareholder or K2 Energy Option holder (or any other person). You may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offers.

Disclosure Regarding Forward Looking Statements

This Bidder's Statement includes forward-looking statements that have been based on Tomahawk's current expectations about future events. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such forward-looking statements. These factors include, among other things, those risks identified in Section 11.

Defined Terms

Various defined terms are used in this Bidder's Statement. Their meaning is set out in Section 13.

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Important Notice

This is an important document and requires your immediate attention. You should read all of the contents of this Bidder’s Statement in its entirety.

If you are in doubt as to how to deal with this document, please consult your financial or other professional adviser.

1. SECTION 1 – CHAIRMAN'S LETTER

Dear K2 Energy Shareholder and K2 Energy Option holder,

On behalf of the directors of Tomahawk Energy Limited (**Tomahawk**), I am pleased to enclose an offer by Tomahawk to acquire all of your shares in K2 Energy Limited (**K2 Energy**), and all of your options to acquire K2 Energy Shares (**K2 Energy Options**).

If you accept the Share Offer, you will receive six (6) new shares in Tomahawk for every ten (10) shares you hold in K2 Energy.

If you accept the Option Offer, you will receive one (1) new Tomahawk option for every two (2) options you hold in K2 Energy.

Both Offers will be subject to two conditions only, namely:

- Before the end of the Offer Periods, Tomahawk has an interest in no less than 90% of all K2 Energy Shares and K2 Energy Options on issue at that time; and
- There being no K2 Energy Prescribed Occurrences before the end of the Offer Periods.

The Directors of K2 Energy have indicated that, subject to the receipt of a satisfactory Bidder's Statement, they intend to recommend that you accept the Offers subject to there being no Tomahawk Prescribed Occurrences and in the absence of a superior proposal.

It is the view of both Tomahawk's and K2 Energy's boards 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 to merge both companies is a major development in that process as it brings together all the pieces required to build a successful company.

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 increasing production from existing resources behind pipe in wells already drilled. In addition, Tomahawk will use its recently acquired proprietary 3D seismic information 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 technically-focussed management and the technology make the future of Tomahawk extremely exciting.

Successful completion of the takeover will see K2 Energy directors take the majority of positions on the Tomahawk board. It is proposed that K2 Energy directors Peter Moore, Sam Gazal and Ken Gaunt join the board of Tomahawk and that Garry Ralston and myself will resign.

I very much look forward to your acceptance of the Offers and welcoming you as a Tomahawk shareholder or option holder.

Yours sincerely

TONY BRENNAN
Executive Chairman
TOMAHAWK ENERGY LIMITED

2. SECTION 2 – SUMMARY OF TAKEOVER OFFERS

2.1 What is Tomahawk offering to buy?

Tomahawk is offering to buy:

- (a) all of your K2 Energy Shares, including K2 Energy Shares that are issued during the Share Offer Period whether due to the exercise of K2 Energy Options or otherwise, on the terms and conditions set out in Section 9 of this Bidder's Statement (**Share Offer**); and
- (b) all of your K2 Energy Options on the terms and conditions set out in Section 10 of this Bidder's Statement (**Option Offer**).

If you accept the Share Offer, Tomahawk will be entitled to all Rights in respect of your K2 Energy Shares. You may only accept the Share Offer in respect of 100% (and not a lesser proportion) of the K2 Energy Shares held by you. **For example, if you have 10,000 K2 Energy Shares and you wish to accept the Share Offer, you may only accept this Share Offer in respect of 10,000 K2 Energy Shares.**

If you accept the Option Offer, Tomahawk will be entitled to all Rights in respect of your K2 Energy Options. You may only accept the Option Offer in respect of 100% (and not a lesser proportion) all of the K2 Energy Options held by you.

2.2 What will you receive if you accept the Offers?

(a) Consideration

If you accept the Share Offer, you will receive six (6) Tomahawk Shares for every ten (10) of your K2 Energy Shares.

If you accept the Option Offer, you will receive one (1) Tomahawk 2009 Option for every two (2) of your K2 Energy Options.

(b) Tomahawk Shares

The Tomahawk Shares offered as consideration for the Share Offer will rank equally with all Tomahawk Shares currently on issue.

Tomahawk is admitted to the Official List and Tomahawk Shares have been granted Official Quotation.

Application will be made to ASX within seven days after the start of the Share Offer Period for the granting of Official Quotation of the Tomahawk Shares to be issued under the terms of the Share Offer.

(c) Tomahawk 2009 Options

The Tomahawk 2009 Options offered as consideration for the Option Offer will be exercisable on or before 30 September 2009 at 20 cents each, and are on the terms and conditions set out in Section 12.9 of this Bidder's Statement.

Application will be made to ASX within seven days after the start of the Option Offer Period for the granting of Official Quotation of the Tomahawk 2009 Options to be issued under the terms of the Option Offer.

2.3 Why you should accept the Offers

Please refer to Section 3 of this Bidder's Statement for details of the reasons why you should accept the Share Offer and/or the Option Offer.

2.4 How to accept the Offer?

(a) Issuer sponsored shareholders and optionholders

If your K2 Energy Shares and/or K2 Energy Options are held on K2 Energy's issuer sponsored sub-register (such holdings will be evidenced by an "I" appearing next to your holder number on the enclosed Share Offer Acceptance Form or Option Offer Acceptance Form), to accept the Share Offer or the Option Offer you must complete and sign the relevant Acceptance Form enclosed with this Bidder's Statement and return it to the address indicated on the form before the expiry of the relevant Offer Period.

(b) CHESs sponsored shareholders and optionholders

If your K2 Energy Shares and/or K2 Energy Options are in a CHESs Holding (such holdings will be evidenced by an "X" appearing next to your holder number on the enclosed Share Offer Acceptance Form or Option Offer Acceptance Form), you must comply with the ASTC Settlement Rules. Accordingly, you may accept the Share Offer or the Option Offer by either:

- completing and signing the relevant enclosed Acceptance Form and returning it to the address indicated on the form; or
- calling your broker and instructing your broker to accept the relevant Offer on your behalf,

before the expiry of the relevant Offer Period.

(c) Brokers and non-broker participants

If you are a broker or non-broker participant, acceptance of the Share Offer or the Option Offer must be initiated in accordance with Rule 16.3 of the ASTC Settlement Rules before the Closing Date.

(d) Further details

Full details on how to accept the Share Offer or the Option Offer are set out in Sections 9 and 10 and also on the relevant enclosed Acceptance Form.

2.5 When will you receive the consideration?

Once you have validly accepted the Share Offer or the Option Offer, Tomahawk will issue the Tomahawk Shares and/or the Tomahawk 2009 Options (as the case may be) to you on or before the earlier of:

- (a) one month after the Share Offer or the Option Offer (as the case may be) is accepted, or the contract resulting from its acceptance becomes unconditional (whichever is the later); and
- (b) 21 days after the end of the relevant Offer Period.

2.6 When does the Offer close?

Both the Share Offer and the Option Offer close at 5:00pm (WST) on 23 May 2007 unless extended in accordance with the Corporations Act.

2.7 What conditions attach to the Offers?

The Offers are subject to the following conditions:

- Tomahawk acquiring a relevant interest in at least 90% of the K2 Energy Shares and K2 Energy Options by the end of the Offer Periods; and
- there being no K2 Energy Prescribed Occurrences before the expiry of the Offer Periods, including, without limitation, K2 Energy changing its capital structure or the capital structure of a subsidiary, or acquiring or disposing of a substantial part of its business or property, or charging a substantial part of its business or property or resolving that it or a subsidiary be wound up.

For full details of the conditions of the Offers, you should refer to Sections 9 and 10 of this Bidder's Statement.

2.8 Further information

For queries on how to accept the Offers, please refer to Sections 9 and 10 of this Bidder's Statement, the relevant enclosed Acceptance Form or call our Company Secretary, Kent Hunter on (08) 9388 8041.

2.9 Importance notice

The information in this Section 2 is a **summary** of the Offers only.

You should read the entire Bidder's Statement and the separate target's statement which will be sent to you by K2 Energy in relation to the Offers before deciding whether to accept the Share Offer or Option Offer.

3. SECTION 3 – REASONS FOR ACCEPTING THE OFFERS

3.1 Significant premium being offered by Tomahawk

Tomahawk is offering K2 Energy Shareholders:

- (a) six (6) Tomahawk Shares for every ten (10) K2 Energy Shares they hold; and
- (b) one (1) Tomahawk 2009 Option for every two (2) K2 Energy Options they hold.

The Offers by Tomahawk represent a significant premium to the recent trading price of K2 Energy Shares and K2 Energy Options.

The three month volume weighted average price of Tomahawk Shares on ASX immediately prior to the date of this Bidder's Statement was \$0.318. The three month volume weighted average price of K2 Energy Shares on ASX immediately prior to the date of this Bidder's Statement was \$0.181. Based on the Share Offer terms and using these prices as a reference, Tomahawk is offering K2 Energy Shareholders a **premium** of approximately 5.2%.

K2 Energy Shareholders should refer to section 4.9 of this Bidder's Statement for further details on the value of the consideration being offered by Tomahawk for their K2 Energy Shares.

There are currently no Tomahawk 2009 Options on issue. However, there are a number of Tomahawk 2008 Options listed on ASX with the same terms as the Tomahawk 2009 Options, with the exception of the option expiry date, which is 30 September 2009 (the option expiry date for the Tomahawk 2008 Options is 31 December 2008). The fact that the Tomahawk 2009 Options have a longer period of exercise would, on ordinary valuation principles, result in them having a greater value than the Tomahawk 2008 Options. Notwithstanding the difference between the terms of the Tomahawk 2008 Options and Tomahawk 2009 Options, set out below is a comparison between the Tomahawk 2008 Options and the K2 Energy Options.

The three month volume weighted average trading price of Tomahawk 2008 Options on ASX immediately prior to the date of this Bidder's Statement was \$0.129. The three month volume weighted average price of K2 Energy Options on ASX immediately prior to the date of this Bidder's Statement was \$0.0386. Based on the Option Offer terms and using these prices as a reference, the **premium** offered to K2 Energy Option holders would be approximately 67%. K2 Energy Option holders should be aware however that this comparison is based on the trading price of the Tomahawk 2008 Options.

K2 Energy Option holders should refer to Section 4.10 of this Bidder's Statement for further details on the value of the consideration being offered by Tomahawk for their K2 Energy Options.

3.2 You will own shares or options to acquire shares in a larger company and still be exposed to good leverage on future successes

Neither Tomahawk nor K2 Energy have been extensively researched by any of Australia's major broking firms and Tomahawk expects the increased size of the Merged Entity will attract further investor attention and analyst's coverage.

Tomahawk's overall strategy is to build a quality and sustainable Australian "mid cap" oil and gas company with a diversity of producing assets that will support Tomahawk's ability to add value to related development, exploration and commercial activity. Tomahawk believes that combining its assets with those of K2 Energy will be a step towards its goal.

3.3 Benefits for Merged Entity

If the Offers are successful, it is anticipated that the prospects of the Merged Entity, compared to those of either Tomahawk or K2 Energy alone, will be improved as a result of corresponding benefits and synergies including:

- (a) an ongoing exposure to a more diverse, mature and balanced exploration portfolio;
- (b) an enhanced ability to commercialise the assets of the Merged Entity;
- (c) a larger market capitalisation and expanded shareholder base which should provide a more liquid stock than either of Tomahawk or K2 Energy on a stand alone basis;
- (d) lower management and financing costs than would be available to either company;
- (e) increased ability to fund exploration as a result of an increased combined capital base and cash reserves for the Merged Entity;
- (f) prudent risk management by diversification of production and exploration activities;
- (g) ongoing cashflow from Tomahawk's producing oil and gas wells; and
- (h) immediate cost savings from combining the administrative functions of the two companies. For more information on this benefit refer to Section 3.7 below.

Tomahawk believes these benefits and synergies will enhance the potential for additional valuation creation for all shareholders.

3.4 Scrip for scrip rollover relief

Provided Tomahawk achieves ownership of at least 80% of the issued K2 Energy Shares and K2 Energy Options, eligible K2 Energy Shareholders and K2 Energy Option holders may respectively be entitled to rollover relief from capital gains tax on the consideration they receive under the Offer. Section 8 of this Bidder's Statement outlines key tax considerations. You should consult a qualified tax adviser for further taxation advice.

3.5 No stamp duty or brokerage

There will be no brokerage or stamp duty payable by you in respect of the sale of your K2 Energy Shares or K2 Energy Options to Tomahawk.

3.6 Capital Base of Merged Entity

As at 30 March 2007, K2 Energy's assets included cash reserves totalling approximately \$9,033,450 (based on an exchange rate of 0.8089 USD/AUD).

These cash reserves will provide the Merged Entity with a substantial capital base and improved financial capacity to develop its oil and gas leases in Oklahoma and in doing so the Directors believe it will provide increased value for its shareholders.

3.7 Cost savings

The acquisition of K2 Energy is expected to provide the opportunity for cost savings. Tomahawk expects that cost savings may arise from centralising the operations of the Merged Entity including consolidating corporate head office functions such as company secretarial, financial management and accounting.

The quantum and timing of actual cost savings that may be achieved by the acquisition of K2 Energy by Tomahawk will be influenced by many factors. Tomahawk does not consider that it is in a position to precisely quantify these cost savings until it has conducted a full review of K2 Energy's business.

4. SECTION 4 – PROFILE OF TOMAHAWK

4.1 Overview of Tomahawk's activities

Tomahawk was incorporated on 8 October 2003, originally under the name "Providence Capital Limited". On 15 June 2004 Tomahawk Shareholders approved changing the Company's name to "Tomahawk Energy Limited" and on 2 July 2004 Tomahawk listed on ASX (ASX Code THK and THKO).

4.2 Ownership and Structure of Tomahawk

As a company listed on ASX, Tomahawk has a diverse shareholder base. To the best of its knowledge, Tomahawk is not directly or indirectly controlled by another corporation, or any person or foreign government, and there are no arrangements which may, at a subsequent date, result in a change of control of Tomahawk.

Tomahawk has one wholly owned subsidiary called THK Energy (USA) Inc, incorporated in the State of Oklahoma, USA, which is the only company within the Tomahawk Group other than Tomahawk Energy Limited.

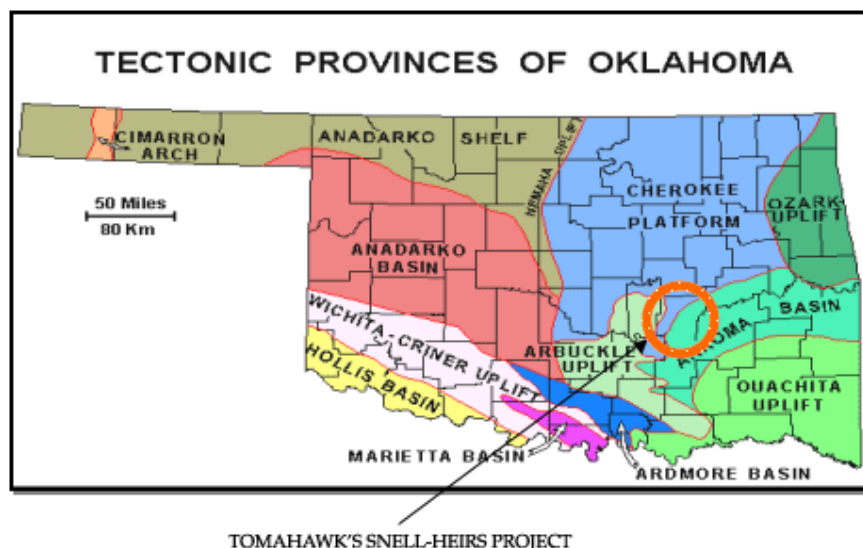
4.3 Principal activities of Tomahawk

Tomahawk is an oil and gas exploration and production company whose primary purpose is to secure, find, develop, produce and sell hydrocarbons. All of Tomahawk's current oil and gas operations are located in Oklahoma, USA. Further details of Tomahawk's current projects are provided below.

K2 Energy Shareholders and K2 Energy Option holders should be aware that the industry for oil and gas exploration involves a number of risks, and these risks are set out in Section 11 of this Bidder's Statement, together with the risks specific to Tomahawk and the Merged Entity. These risks should be considered when making an assessment of Tomahawk's operations.

Overview of Oil and Gas Exploration and Production in Oklahoma

Oklahoma is considered by the directors of Tomahawk to be a world class hydrocarbon producing province.



Oklahoma's first commercial gas came on production more than 100 years ago.

The current gas price is approximately US\$7 per MMBtu.

Tomahawk has acquired a participation in a large acreage position and in an area where substantial reserves might be expected to be found by drilling relatively shallow wells. The hydrocarbons encountered in the wells the Tomahawk has participated confirms this potential to the directors of Tomahawk.

The Project

Tomahawk has various interests in a number of wells drilled in the Oklahoma project as set out in the table below. Additionally the company holds 12.5% in approximately 27,000 acres in the Okfuskee County, Oklahoma.

Section	Well Lease	Quadrant	Area	Interest held by Tomahawk Energy Limited
13-T10N-R11E	Snell 6 - 13	NE4 NE4	40 Acres	BP 75% WI (56.25% NRI) AP 50% WI (37.5% NRI)
	Snell 7 - 13	SW4 SE4	40 Acres	BP 75% WI (56.25% NRI) AP 50% WI (37.5% NRI)
	Snell 8/ 13 / Snell 9 - 13	SE4 SW4	40 Acres	BP 75% WI (56.25% NRI) AP 50% WI (37.5% NRI)
18-T10-R12-E	Snell 4-18 / 5-18	NE4	160 Acres	100% WI (71.5% NRI)
19-T10N-R12E	Snell 2 - 19 / 4 - 19	SE4 NW4	40 Acres	BP 75% WI (56.25% NRI) AP 50% WI (37.5% NRI)
	Snell 3 - 19 / 5 - 19	SE4 NE4	40 Acres	BP 75% WI (56.25% NRI) AP 50% WI (37.5% NRI)
17-R10N-R12E	Longview 1 - 16	SE4	160 Acres	100% WI (71.5% NRI)
	Longview 2 - 17	W2 SW4	160 Acres	100% WI (71.5% NRI)
	Snell 1 - 17 / 2 - 17 (Accl)	SE4 SW4	40 Acres	100% WI (71.5% NRI)
16-T10N-R12E	Hudson 1 - 16	SE4	160 Acres	100% WI (71.5% NRI)
	Snell 1 - 17 / 2 - 17	W2 SW4	80 Acres	100% WI (71.5% NRI)
	Snell 1 - 17 / 2 - 17	SE4 SW4	40 Acres	100% WI (71.5% NRI)
Misc:	Snell 1 - 20		160 Acres	50% WI (37.5% NRI)

	Snell 4 – 13		160 Acres	50% WI (37.5% NRI)
	Palmer 1 – 28		n/a	Incomplete
	Long 1 – 27		n/a	Incomplete

Key:

WI Working Interest

NRI Net Revenue Interest

BP Before Payout

AP After Payout

Tomahawk has been active in a number of drilling programs throughout the past three years resulting in the above wells. Revenue was first generated in October 2004, and although not all wells have been completed and brought into production as yet, revenue from production in the 6 months to 31 December 2006 was \$558,271.

The potential of the Project's unconventional gas resource is approximately 20-70 Bcf across the Project area. This is not a net resource estimate but more an indication of the potential of the unconventional gas resource within the Project area. K2 Energy security holders should be aware that this estimate does not take into consideration Tomahawk's drilling results from the past 12 months.

For a detailed analysis of Tomahawk's progress over this period, please visit www.tomahawkenergy.com.au for a complete list of all announcements made by Tomahawk to ASX.

Confidentiality Agreement

On 10 January 2007, Tomahawk and K2 Energy entered into a confidentiality agreement which governed the provision by Tomahawk to K2 Energy of information in relation to the Company's business for the purpose of K2 Energy considering, amongst other things, a merger between the two companies. Under the terms of this agreement, K2 Energy agreed that it would not acquire mineral leases in Okfuskee County in Oklahoma for a period of two years from the date upon which the agreement was signed.

Tomahawk has agreed to waive this provision of the confidentiality agreement to allow K2 Energy to acquire a 37.5% interest in a number of leases from Metro Energy Limited. In consideration for this waiver, K2 Energy agreed that all K2 Energy directors would agree that they would recommend acceptance of the Takeover Bid unless they have a fiduciary obligation not to do so as a result of a new circumstance of which they have become aware on or after the date of Tomahawk's agreement to waive the provision of the confidentiality agreement (being 5 April 2007). Further, and subject to the same fiduciary obligation, K2 Energy agreed that all of the directors of K2 Energy would agree that they would use their best endeavours and act in good faith to achieve 90% acceptance of the Offers.

4.4 Tomahawk's ongoing strategies

Tomahawk's strategy is to merge with K2 Energy and use the cash that K2 Energy brings to further develop Tomahawk's existing lease holdings and to acquire further leases in the same play.

Tomahawk intends to prepare and execute a development program focussed on:

- (a) improving current gas production levels by bringing behind pipe potential to production;
- (b) acquisitions of leases over the areas recently identified; and
- (c) commence drilling program to exploit the identified targets.

4.5 Directors of Tomahawk

Details of the responsibilities and experience of the Tomahawk directors (as at the date of this Bidder's Statement) is set out below.

Tony Brennan

B.Bus CA – Executive Chairman

Mr Brennan has played a leading role in a number of Australian resource companies over the past 15 years, having been the Managing Director of Mount Edon Gold Mines (Aust) Ltd and Kilkenny Gold N.L. As a director of boutique investment bank, Delta Capital Pty Ltd, he has been instrumental in raising capital for and the ASX Listing of a number of companies.

Mr Brennan is a non-executive chairman of Red Fork Energy Limited and Gleneagle Gold Ltd, both companies which are listed on ASX. Whilst Red Fork Energy operates in the oil and gas sector, it does not operate in direct conflict of interest with the Company. 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 and has extensive experience in financial management.

Mr Brennan has advised that he will retire as a director of Tomahawk once the minimum acceptance conditions in relation to the Offers have been met, and the Offers become unconditional.

Bob Rosenthal

Non-executive Director

Mr Rosenthal graduated from the University of Southern California in 1974 with a bachelor of science degree in geology and then in 1977 completed a masters of science in geology and geophysics from the same University.

In his almost 30 year career, Mr Rosenthal has worked in oil and gas projects in the Gulf of Mexico, the Offshore Atlantic Margin, and the North Slope of Alaska. In 1985, Mr Rosenthal was seconded to BP in Aberdeen, Scotland, and within a year he became the technical leader of the Northern and Central North Sea Lead Group who successfully bid in the UK licensing round. In 1988, Mr Rosenthal became the senior advisor to the 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.

Garry Ralston

Non-executive Director

Mr Ralston has been a director of the Company since its incorporation. Mr Ralston 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, of which he is a director and the licensee. He is also a director of Finance and Systems Technology Pty Ltd, one of the largest mortgage aggregators in Australia, which also provides information technology and associated services to the finance industry.

Mr Ralston has advised that he will retire as a director of Tomahawk once the minimum acceptance conditions in relation to the Offers have been met, and the Offers become unconditional.

Frank Brophy

B.Sc (Hons) – Non-executive Director

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.

His work in exploration, development and production over the last 40 years has been carried out in countries as diverse as the UK, USA, France, Indonesia, Malaysia and Iran. It has included direct involvement with several oil and gas-condensate discoveries in the North Sea and the giant gas accumulations in the Zagros Mountains of Southern Iran. During the 1990's, Mr Brophy's areas of focus was North Africa (Sudan and Libya), the Middle East (Iraq) and the Central Asian Republics.

Following a recent four year period in Hanoi, Vietnam, as the general manager of the French company Maurel & Prom, Mr Brophy is at present representing the same company in Ragusa, Sicily, where work involves 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.

4.6 Information about Tomahawk Securities

(a) **Tomahawk Shares**

At the date of this Bidder's Statement, the Company has 66,494,827 Tomahawk Shares on issue, none of which are subject to escrow. Further information about Tomahawk Shares is provided in Section 12.8 of this Bidder's Statement.

(b) **Tomahawk Options**

The details of options on issue in Tomahawk as at the date of this Bidder's Statement are as follows:

Number	Exercise Price	Expiry Date
12,298,002 (listed) (Tomahawk 2008 Options)	20 cents	31 December 2008
1,500,000 (unlisted)*	40 cents	31 December 2008
500,000 (unlisted)	70 cents	31 December 2008

* These options are held by current directors (Mr Brennan 850,000, Mr Brophy 400,000 and Mr Ralston 250,000) and will expire when the relevant director retires unless exercised before that date.

The Tomahawk 2009 Options to be issued as consideration pursuant to the Option Offer will have an exercise price of 20 cents per Tomahawk 2009 Option, and an expiry date of 30 September 2009.

Further information about the Tomahawk 2009 Options is set out in Section 12.9 of this Bidder's Statement.

4.7 Shareholders of Tomahawk

As at 2 April 2007, there were approximately 1,666 shareholders in Tomahawk.

As at 2 April 2007, the top ten shareholders of Tomahawk were:

Shareholder	Number of Shares	% Shares
Metro Energy Group Inc	6,000,000	9.023
Chaus Capital Pty Ltd	2,540,001	3.819
HSBC Custody Nominees (Australia) Limited – A/C 2	1,700,000	2.556
Towertun Pty Ltd	1,650,000	2.481
Ravenhill Investments Pty Ltd <House of Equity A/C>	1,560,000	2.346
Merrill Lynch (Australia) Nominees Pty Limited	1,543,473	2.321
Golden Words Pty Ltd	1,528,514	2.298
Your Care Pty Ltd	1,500,000	2.255
APR Nominees Pty Ltd	1,400,000	2.105
Mrs Michelle Doro Denny	1,395,000	2.097
Total	20,816,988	31.30

4.8 Optionholders in Tomahawk

As at 2 April 2007, there were approximately 165 optionholders in Tomahawk.

As at 2 April 2007, the top ten holders of Tomahawk 2008 Options were:

Shareholder	Number of Shares	% Shares
Merrill Lynch (Australia) Nominees Pty Limited	1,000,000	8.131
Towertun Pty Ltd	800,000	6.505
Ravenhill Investments Pty Ltd	750,000	6.098
Mr Craig Ian Burton <CI Burton Family A/C>	700,000	5.691
Mrs Kathryn Margaret Evans	625,000	5.082
Golden Words Pty Ltd	625,000	5.082
Chaus Capital Pty Ltd	525,000	4.268
HSBC Custody Nominees (Australia) Limited – A/C 2	500,000	4.065
APR Nominees Pty Ltd	500,000	4.065
Ms Melissa Del Paggio >The Damelle A/C>	500,000	4.065
Total	6,525,000	53.05

4.9 Trading in Tomahawk Shares and K2 Energy Shares

Tomahawk Shares are quoted on ASX.

Set out below is a table showing comparative relevant trading prices of Tomahawk Shares on ASX:

Comparative trading period	Price of Tomahawk Shares
Highest trading price in the 6 months prior to the date of this Bidder's Statement	40.5 cents on 14 November 2006
Lowest trading price in the 6 months prior to the date of this Bidder's Statement	24 cents on 5, 10 and 11 October 2006 and 2 November 2006
Closing trading price on the date Tomahawk announced the Takeover Bid (23 February 2007)	\$0.35
Approximate volume weighted average price in the 6 months prior to the date of this Bidder's Statement	\$0.317
Approximate volume weighted average price in the 3 months prior to the date of this Bidder's Statement	\$0.318

Approximate volume weighted average price in the 1 month prior to the date of this Bidder's Statement	\$0.279
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Time Period	Percentage increase / (decrease) in trading price of K2 Energy Shares
6 months to the date of this Bidder's Statement	(14.29%)
3 months to the date of this Bidder's Statement	20.00%
1 months to the date of this Bidder's Statement	(2.70%)

The last available closing price of Tomahawk Shares on ASX prior to the date of this Bidder's Statement was \$0.25 on 4 April 2007. The last available closing price of K2 Energy Shares on ASX on the same date was \$0.18.

The three month volume weighted average price of Tomahawk Shares on ASX immediately prior to the date of this Bidder's Statement was \$0.318. The three month volume weighted average price of K2 Energy Shares on ASX immediately prior to the date of this Bidder's Statement was \$0.181. **Based on the Share Offer terms and using these prices as a reference, Tomahawk is offering K2 Energy Shareholders a premium of approximately 5.2%.**

4.10 Trading in Tomahawk Options and K2 Energy Options

There are currently no Tomahawk 2009 Options on issue. Tomahawk will make application for Official Quotation of the Tomahawk 2009 Options to be issued pursuant to the Option Offer.

However, the Tomahawk 2008 Options are listed on ASX. The Tomahawk 2008 Options have the same terms as the Tomahawk 2009 Options, with the exception of the expiry date, which is 30 September 2009 (the option expiry date for the Tomahawk 2008 Options is 31 December 2008). The fact that the Tomahawk 2009 Options have a longer period of exercise would, on ordinary valuation principles, result in them having a greater value than the Tomahawk 2008 Options. Notwithstanding the difference between the terms of the Tomahawk 2008 Options and Tomahawk 2009 Options, set out below is a comparison between the Tomahawk 2008 Options and the K2 Energy Options.

Set out below is a table showing comparative relevant trading prices of Tomahawk 2008 Options on ASX:

Comparative trading period	Price of Tomahawk 2008 Options
Highest trading price in the 6 months prior to the date of this Bidder's Statement	\$0.195 on 20 November 2006
Lowest trading price in the 6 months prior to the date of this Bidder's Statement	\$0.070 on 27 September 2006 and

	10 October 2006
Closing trading price on the date Tomahawk announced the Takeover Bid	\$0.140
Approximate volume weighted average price in the 6 months prior to the date of this Bidder's Statement	\$0.138
Approximate volume weighted average price in the 3 months prior to the date of this Bidder's Statement	\$0.129
Approximate volume weighted average price in the 1 month prior to the date of this Bidder's Statement	\$0.098

Time Period	Percentage increase/ (decrease) in trading price of K2 Energy Options
6 months to the date of this Bidder's Statement	(4.44 %)
3 months to the date of this Bidder's Statement	4.88%
1 months to the date of this Bidder's Statement	7.50%

The last available closing price of Tomahawk 2008 Options on ASX prior to the date of this Bidder's Statement was \$0.086 on 4 April 2007. The last available closing price of K2 Energy Options on ASX on the same date was \$0.043.

The three month volume weighted average price of Tomahawk 2008 Options on ASX immediately prior to the date of this Bidder's Statement was \$0.129. The three month volume weighted average price of K2 Energy Options on ASX immediately prior to the date of this Bidder's Statement was \$0.0386. **Based on the Option Offer terms and using these prices as a reference, the premium offered to K2 Energy Option holders would be approximately 67%.**

K2 Energy Option holders should be aware however that this comparison is based on the trading price of the Tomahawk 2008 Options. The expiry date of the Tomahawk 2009 Options is later than that of the Tomahawk 2008 Options, and this fact would, on ordinary valuation principles, result in the Tomahawk 2009 Options having a greater value than the Tomahawk 2008 Options. Accordingly, the actual premium actually being offered to K2 Energy Option holders is slightly higher than the figures set out in the above comparison.

4.11 Website

Tomahawk maintains a website – www.tomahawkenergy.com.au – which contains further information about Tomahawk and its operations.

References to this website in this Bidder's Statement are for information purposes only. The content of this website does not form part of this Bidder's Statement.

4.12 Further Information

As a company whose shares are quoted on ASX, Tomahawk is a disclosing entity and, as such, is subject to regular reporting and disclosure obligations. Copies of all documents lodged with the ASIC in relation to Tomahawk may be obtained for a fee from, or inspected at, an office of the ASIC.

Tomahawk will provide a copy of the documents referred to below, free of charge, to any person who asks for them during the Offer Periods:

- (a) the financial statements for the 12 months ended 30 June 2006 (being the latest annual financial report containing the financial statements for a financial year most recently lodged with the ASIC in relation to Tomahawk before the date of this Bidder's Statement); and
- (b) all documents used to notify ASX of information relating to Tomahawk under the provisions of the Listing Rules since lodgement of the financial statements referred to in paragraph (a) above, being the documents set out in Annexure "A".

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules or in the Bidder's Statement that K2 Energy Shareholders and their professional advisers would reasonably require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of Tomahawk; or
- (b) the rights and liabilities attaching to the Tomahawk Shares and Tomahawk 2009 Options to be issued pursuant to the Offers.

4.13 Dividend Policy

Tomahawk's dividend policy is determined by its board of Directors. No assurance can be given as to the timing or amount of future dividends. There are many factors which will influence any dividends declared by Tomahawk, including the amount of profit (if any) available for distribution (which itself is dependent on a number of variables) and the need for Tomahawk to retain earnings to meet the costs of capital expenditure or other expenses.

5. SECTION 5 – PROFILE OF K2 ENERGY

5.1 Disclaimer

This overview of K2 Energy and all financial information concerning K2 Energy contained in this Bidder's Statement has been prepared by Tomahawk using publicly available information and adjusted where considered appropriate by Tomahawk based on Tomahawk's industry knowledge and expertise. Tomahawk conducted a review of certain information and documents made available by K2 Energy and met with certain K2 Energy executives before it announced its intention to make a takeover bid on 23 February 2007. During that review and those interviews, Tomahawk did not receive any information that is material to a decision by K2 Energy Shareholders whether to accept the Offers which has not already been disclosed by K2 Energy to ASX or is not disclosed elsewhere in this Bidder's Statement.

The information in this Bidder's Statement concerning K2 Energy has not been independently verified. Tomahawk does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The primary sources of information about K2 Energy used by Tomahawk were as follows:

- K2 Energy's annual report for the 2006 financial year;
- K2 Energy's website – www.k2energy.com.au;
- press releases and ASX announcements made by K2 Energy in the last 12 months;
- other publicly released information in relation to K2 Energy; and
- Tomahawk's own knowledge and industry expertise.

Further information relating to K2 Energy is expected to be included in the target's statement which K2 Energy must provide to its shareholders.

5.2 Overview of K2 Energy's principal activities

K2 Energy Limited is an Australian public company that was incorporated on 29 August 2005 and listed on ASX on 16 November 2006.

K2 Energy is an oil and gas exploration company engaged in direct investment in onshore oil and gas drilling opportunities in the United States. K2 Energy invests with experienced local oil and gas operators on a farm-in basis in proven hydrocarbon producing areas. K2 Energy leverages its key strategic alliances with experienced oil and gas industry players to source and evaluate investment opportunities and seeks to establish direct oil and gas production revenue streams from its oil and gas drilling activities. K2 Energy's focus is on direct investment in relatively small scale, onshore oil and gas farm-in opportunities in the United States with a typical total drilling cost, excluding prospect generation and development expenses, of less than \$2,500,000 per well and production targets of 100 to 1000 BOPD (or gas equivalent). To the best of Tomahawk's knowledge, K2 Energy will continue to focus on drilling opportunities located in established oil and gas producing areas in the United States that have developed production infrastructure. K2 Energy's current focus is on onshore

drilling opportunities, however in the future it may expand its operations to invest in offshore oil and gas opportunities.

5.3 Group Structure of K2 Energy

K2 Energy has one wholly owned subsidiary, being K2 Energy USA, Inc.

5.4 Directors of K2 Energy

Details of the responsibilities and experience of the K2 Energy directors (as at the date of this Bidder's Statement) are set out below.

Peter Moore

B.A. LLB. – Execution Chairman and Managing Director

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.

John Thompson

B.Com - Non-executive Director

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.

Professor Bruce Moore

BSc. MSc. PhD. - Non-executive Director

Professor Moore is an Emeritus Professor at the University of Kentucky where he was a Professor of Geology for 30 years. Since 1987 he has been the technical director of Geoflite. Professor Moore has conducted research into airborne multi-spectral imaging techniques for fracture and joint detection and has expertise in joint and micro-fracture detection and their application to oil and gas and mineral exploration. He has also developed the proprietary Geoflite soil geochemistry method over many years and has worked extensively in the oil and gas exploration industry. Professor Moore has over 40 years' experience in resource exploration.

Michael Reed

BSc. (Hons) CPG, AAPG - 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 the type of drilling opportunities that will be the focus of K2 Energy Limited.

Sam Gazal

B.Ec - Non-executive Director

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.

Robert Kenneth ('Ken') Gaunt

Non-executive Director

Ken 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.

Upon the Offers becoming unconditional, it is the current intention of Tomahawk to appoint Mr Peter Moore, Mr Sam Gazal and Mr Ken Gaunt to the board of Directors of Tomahawk. Mr Moore, Mr Gazal and Mr Gaunt have indicated that it is their current intention to consent to that appointment.

5.5 Information about K2 Energy securities

(a) **K2 Energy Shares**

As at the date of this Bidder's Statement, K2 Energy had 86,000,000 fully paid ordinary shares on issue.

There are restriction agreements covering 26,000,000 of these K2 Energy Shares. In accordance with the Listing Rules, Tomahawk will apply to ASX for consent to the removal of the holding locks on these K2 Energy Shares to enable the holders to accept the Share Offer.

Subject to the ASX Listing Rules, upon the Share Offer becoming unconditional, these restriction agreements will be terminated. K2 Energy has represented to Tomahawk that the holders of these K2 Energy Shares have agreed that they will enter into voluntary restriction agreements with Tomahawk (on the same terms as the current restriction agreements) in relation to the Tomahawk Shares they receive pursuant to the Share Offer.

K2 Energy's only current substantial shareholder is Edward Meadows Pty Ltd (as trustee for the Moore Investment Trust), which holds 18,500,000 K2 Energy Shares.

(b) **K2 Energy Options**

As at the date of this Bidder's Statement, K2 Energy had 56,000,000 K2 Energy Options on issue, all having an exercise price of \$0.20 and exercisable on or before 30 September 2009 (**K2 Energy Options**). With the exception of a number of K2 Energy Options which are currently subject to escrow requirements as described below, these K2 Energy Options are all listed on ASX.

There are restriction agreements covering 26,000,000 of these K2 Energy Options. In accordance with the Listing Rules, Tomahawk will apply to ASX for consent to the removal of the holding locks on these K2 Energy Options to enable the holders to accept the Option Offer.

Subject to the ASX Listing Rules, upon the Option Offer becoming unconditional these restriction agreements will be terminated.

K2 Energy's only current substantial option holder is Edward Meadows Pty Ltd (as trustee for the Moore Investment Trust), which holds 18,500,000 K2 Energy Options.

5.6 Change in K2 Energy's financial position and information on K2 Energy

(a) Financial Report for the half year ended 31 December 2006

Other than as disclosed in this Bidder's Statement, Tomahawk is not aware of there being any material change in the financial position of K2 Energy since the lodgement with ASX on 16 March 2007 of K2 Energy's financial report for the half year ended 31 December 2006.

(b) Other publicly available information

K2 Energy is listed on ASX and is required to comply with the continuous disclosure requirements of ASX. A substantial amount of information concerning K2 Energy has previously been notified to ASX and is therefore publicly available.

K2 Energy Shareholders may obtain or inspect a copy of documents lodged with the ASIC at an office of the ASIC or of documents lodged with ASX at an office of ASX. In addition, on request to Tomahawk and free of charge, K2 Energy Shareholders may obtain a copy of, or inspect, any documents referred to in this Bidder's Statement which have been lodged with the ASIC or given to ASX or which have already been published in a book, journal or comparable publication.

The announcements which have been made by K2 Energy to ASX since 15 November 2006 being the date of lodgement of K2 Energy's 2006 annual financial report for the year ended 30 June 2006 was released, are set out in Annexure "C".

Information about K2 Energy (including copies of its financial reports) is available on K2 Energy's website www.k2energy.com.au.

5.7 Announcement by K2 Energy in relation to the Offer

On 23 February 2007, K2 Energy made an announcement to ASX in relation to the Offer. A copy of that announcement is contained in Annexure "D".

6. SECTION 6 – INTENTIONS OF TOMAHAWK

6.1 Intentions of Tomahawk

(a) Approach

This Section sets out the intentions of Tomahawk on the basis of facts and information concerning K2 Energy which are known to Tomahawk at the time of preparation of this Bidder's Statement. However, Tomahawk will only reach final decisions in light of material facts and circumstances at the relevant time. Accordingly, the statements set out in this Section are statements of current intentions only which may vary as new information becomes available or circumstances change.

(b) Intentions upon acquisition of 90% or more of K2 Energy

This Section describes Tomahawk's intentions if Tomahawk and its associates acquire 90% or more of the K2 Energy Shares and K2 Energy Options, and so becomes entitled to proceed to compulsory acquisition of the outstanding K2 Energy Shares and K2 Energy Options in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, Tomahawk's current intentions are as follows:

(i) Corporate matters

Tomahawk intends to:

- proceed with the compulsory acquisition of any K2 Energy Shares not acquired under the Share Offer, and the K2 Energy Options not acquired under the Option Offer, which it is entitled to compulsorily acquire in accordance with Part 6A.1 of the Corporations Act; and
- arrange for K2 Energy to be removed from the official list of ASX (subject to obtaining any required approval from ASX).

(ii) Strategic review of K2 Energy

Tomahawk intends to undertake a detailed review of K2 Energy's activities and assets to evaluate their prospects, strategic relevance, funding requirements and financial performance. This may lead to modification of some of K2 Energy's existing projects and activities. This strategic review will provide the main platform for Tomahawk to identify and assess the specific areas that may provide benefits to Tomahawk and the expected costs and time frames.

If, after the review, the Board of Tomahawk determines that any assets of K2 Energy should be divested, a strategy will be implemented to sell the asset in order to maximise the return to shareholders.

(iii) **Composition of the Board**

Tomahawk does not intend to replace any of the members of the Board of Directors of K2 Energy.

Tomahawk entered into an agreement with K2 Energy on 22 February 2007 pursuant to which it was agreed that current Tomahawk Directors Mr Tony Brennan and Mr Garry Ralston will retire when the minimum acceptance conditions in relation to the Offers are met, and the Offers become unconditional.

Upon the retirement of Mr Brennan and Mr Ralston, Tomahawk will appoint a number of the current directors of K2 Energy as the directors of Tomahawk, being Mr Peter Moore, Mr Sam Gazal and Mr Ken Gaunt.

(iv) **Corporate office and employees**

Subject to the strategic review, Tomahawk intends to continue to conduct the K2 Energy business. Tomahawk, however, will consider centralising the corporate head office of the Merged Entity by incorporating those functions performed by it into the existing administrative structure of K2 Energy. It is proposed that functions such as company secretarial, financial management and accounting will be centralised in Sydney.

Tomahawk does not have a significant number of employees; however the roles of Executive Chairman and Company Secretary will be made redundant under the centralisation in the Merged Entity.

(v) **Change of Name**

As indicated in paragraph (iii) above, the board of Tomahawk will be newly constituted upon satisfaction of the minimum acceptance conditions and completion of the Offers. Tomahawk, having consulted with the likely members of the newly constituted board of Tomahawk, considers it likely that Tomahawk will seek shareholder approval to change its name to "K2 Energy Limited".

(vi) **General business integration**

As part of the strategic review, Tomahawk intends to undertake a specific review of:

- K2 Energy's assets and liabilities; and
- the possible synergies and benefits between Tomahawk and K2 Energy. Tomahawk intends to prepare a business integration plan and implement that plan.

(c) **Intentions upon gaining control but less than 90% of K2 Energy**

Both Offers are conditional upon Tomahawk acquiring a relevant interest in at least 90% of the K2 Energy Shares and K2 Energy Options. However, while Tomahawk has no current intention to waive that

condition, it is open to Tomahawk to either rely on that condition or waive it, at its discretion, in accordance with the Corporations Act. Should Tomahawk choose to waive that condition, it may, as a result of its Offers, acquire less than 90% of K2 Energy.

On completion of the Share Offer, Tomahawk may hold a sufficient number of K2 Energy Shares to exercise control over the management and operations of K2 Energy, but may not be entitled to compulsorily acquire all outstanding K2 Energy Shares. Tomahawk's intentions in those circumstances are as follows:

(i) **General**

Subject to the paragraph below, Tomahawk will implement the intentions described in Section 6.1(b) above to the extent that it is economically feasible and subject to the requirements of the Listing Rules, the Corporations Act and any other applicable laws or regulations. These intentions specifically include those in respect of strategic review and business concentration.

In the event that Tomahawk is not entitled to compulsorily acquire all of the issued capital in K2 Energy, Tomahawk intends to:

- (A) maintain K2 Energy's listing on ASX while it meets ASX requirements for maintaining a listing, but only if the benefits of that listing outweigh the corporate and compliance costs of doing so;
- (B) depending on the level of voting power in K2 Energy acquired, appoint one or more nominee of Tomahawk to the board of K2 Energy;
- (C) if Tomahawk becomes entitled at some later time to exercise general compulsory acquisition rights under the Corporations Act, it would exercise those rights (for example, as a result of acquisitions of K2 Energy Shares in reliance on the "3% creep" exception in Item 9 of Section 611 of the Corporations Act).

(ii) **Elimination of duplication**

To the extent that activities and functions, including management, presently carried out by Tomahawk and K2 Energy will be duplicated, such duplication will be eliminated where it is economically efficient to do so.

(iii) **General business integration**

Tomahawk would only make a decision on any of the above courses of action after it receives legal and financial advice and its intentions must be read as subject to the legal obligation of the board of directors of K2 Energy to have regard to the interests of K2 Energy as a whole.

(iv) **Remaining K2 Energy Shareholders**

If Tomahawk acquires less than 90% of the K2 Energy Shares on issue, then K2 Energy Shareholders should be aware that if they do not accept the Offer they may become a "locked-in" minority after the end of the Offer Periods (i.e. if Tomahawk holds a majority of K2 Energy Shares but is not entitled to compulsorily acquire the remaining K2 Energy Shares).

(v) **Dividends and funding**

No dividends have been previously been paid by K2 Energy.

Tomahawk's view is that, considering that the projects of K2 Energy are still in the early stages of drilling exploration, it is unlikely that K2 Energy will pay dividends in the short to medium term.

In the event that K2 Energy requires additional funding, Tomahawk will support the most appropriate form of such funding, having regard to the interests of all shareholders.

Such funding may include accessing K2 Energy's cash reserves by borrowing funding from K2 Energy. In the event that Tomahawk decides that it is necessary to borrow money from K2 Energy, K2 Energy would have to seek shareholder approval for the loan from its shareholders, with Tomahawk being excluded from voting as its would be a related party of K2 Energy, and therefore such funding may not be within the control of Tomhawk. Please refer to Section 11.5 for further details in relation to this risk.

Such funding could also include raising addition equity. Should Tomahawk determine that it is necessary to raise additional equity to fund its operations, such equity raising will be subject to the requirements of the Corporations Act and ASX Listing Rules an any inability of Tomahawk to obtain additional equity may have an adverse impact on Tomahawk's operations. Please refer to Section 11.4 for further details in relation to this risk.

(vi) **Limitations in giving effect to intentions**

The ability of Tomahawk to give effect to its intentions set out in this Section 6.1(c) will be subject to the legal obligations of K2 Energy directors to have regard to the interests of K2 Energy and all of the K2 Energy Shareholders, including any K2 Energy Shareholders other than Tomahawk, and the requirements of the Corporations Act and ASX Listing Rules.

(d) **Intentions upon gaining less than 50% of K2 Energy**

As stated above, both Offers are conditional upon Tomahawk acquiring a relevant interest in at least 90% of the K2 Energy Shares and K2 Energy Options. However, while Tomahawk has no current intention to waive that condition, it is open to Tomahawk to either rely on that condition or waive it, at its discretion, in accordance with the Corporations Act. Should Tomahawk choose to waive that condition, it may, as a result of its Offers, acquire less than 90% of K2 Energy.

If Tomahawk waives the minimum acceptance condition, and holds less than 50% of K2 Energy Shares, Tomahawk will not be in a position to control K2 Energy.

In this circumstance, Tomahawk's current intention is to hold the K2 Energy Shares and K2 Energy Options it acquires as a portfolio investment. As such, if at any time the K2 Energy Shares and K2 Energy Options held by Tomahawk do not achieve an appropriate portfolio return, and Tomahawk form the view that continuing to hold those securities is not in the best interests of Tomahawk Shareholders, it may dispose of those K2 Energy Shares and K2 Energy Options in any manner it sees fit.

Further, depending on the level of its shareholding, Tomahawk may also seek the appointment of a representative to the Board of K2 Energy.

(e) **Business, assets and employees**

Subject to the changes and intentions set out in this Section 6.1 and elsewhere in this Bidder's Statement, and in particular, completion of the strategic review described in 6.1(b)(ii) it is the present intention of Tomahawk (based on the information presently available to it) to:

- (i) continue to hold the key assets of K2 Energy and maintain its business;
- (ii) not make any major changes to the business or assets of K2 Energy;
- (iii) not redeploy any of the fixed assets of K2 Energy; and
- (iv) continue the employment of K2 Energy's present employees.

6.2 Intentions in relation to K2 Energy Options

Both Offers are conditional upon Tomahawk acquiring a relevant interest in at least 90% of the K2 Energy Options.

If Tomahawk and its associates acquire a relevant interest in more than 90% of the K2 Energy Shares and K2 Energy Options at the end of the Offer Periods, then it is Tomahawk's current intention to proceed to compulsorily acquire all of the K2 Energy Options pursuant to the rights conferred on Tomahawk by the Corporations Act.

If Tomahawk and its associates have not obtained a relevant interest in at least 90% of the K2 Energy Options on issue, but have obtained a relevant interest in at least 90% of the K2 Energy Shares at the end of the Share Offer Period and Tomahawk decides to waive the minimum acceptance condition in relation to the K2 Energy Options, Tomahawk must offer to acquire the outstanding K2 Energy Options in accordance with the provisions of the Corporations Act.

6.3 General effect of acquisition on Tomahawk

The acquisition of K2 Energy is not expected to have a material effect on the existing operations of Tomahawk other than to provide working capital to allow Tomahawk to progress with the development of its oil and gas exploration projects at a faster rate.

As indicated above, if Tomahawk is successful in acquiring 90% or more of K2 Energy, Tomahawk intends to develop a business integration plan, with the object of realising expected benefits as quickly as possible. At this stage, and based on the K2 Energy information available, a number of the benefits are expected to be realised progressively as the operations of K2 Energy and Tomahawk are integrated. As K2 Energy has significant cash reserves, it is unlikely to require further funding from Tomahawk in the short to medium term.

(a) **Financial effect on Tomahawk**

Please refer to the pro forma statements of financial position of the Merged Entity set out in Section 7 of this Bidder's Statement.

(b) **Effect on Tomahawk Shares**

Assuming the Share Offer and Option Offer are successful and Tomahawk acquires all of the K2 Energy Shares on issue as at the date of this Bidder's Statement and issues Tomahawk Shares as consideration for the above acquisition, the total number of Tomahawk Shares which would be on issue are set out in the table below. The table sets out the number of Tomahawk Shares which would be on issue, both if no existing K2 Energy Options are exercised and if all the existing K2 Energy Options are exercised. The exercise price of all of the K2 Energy Options is \$0.20 per option, and if all K2 Energy Options were exercised, K2 Energy would receive additional cash of approximately \$10,800,000 from the payment of the exercise price of the options.

The actual number of Tomahawk Shares on issue will depend upon the number of acceptances of the Share Offer and the effect of rounding of fractional entitlements (which will be rounded up to the nearest whole number).

	90% Share Offer Acceptances¹	100% Share Offer Acceptances²	100% Share Offer Acceptances and all K2 Energy Options Exercised³
Issued Tomahawk Shares as at the date of this Bidder's Statement	66,494,827	66,494,827	66,494,827
Number of Tomahawk Shares to be issued under the Offer	46,440,000	51,600,000	85,200,000
Issued Tomahawk Shares following the Offer	112,937,827	118,094,217	151,694,827

Notes:

1. This represents the number of Tomahawk Shares that would be issued based on the existing number of K2 Energy Shares on issue and no K2 Energy Options being exercised during the Share Offer Period.
2. This represents the number of Tomahawk Shares that would be issued based on the existing number of K2 Energy Shares on issue and no K2 Energy Options being exercised during the Share Offer Period.

3. Equatorial Partners Limited has acted as an adviser in connection with the Offers and will, upon successful completion of the Takeover Bid, be entitled to a fee which includes Tomahawk Shares to the value of \$250,000 at an issue price being the Tomahawk Share price on the date Tomahawk reaches 90% acceptance of the Offers or waives the conditions to the Offers. Based upon The Tomahawk Share price at 4 April 2007, this would amount to 1,000,000 Tomahawk Shares.
4. This represents the maximum number of Tomahawk Shares that would be issued pursuant to the Share Offer, assuming all K2 Energy Options are exercised during the Share Offer Period.

(c) **Effect on Tomahawk Options**

Assuming the Share Offer and Option Offer are successful and Tomahawk acquires all of the K2 Energy Options on issue as at the date of this Bidder's Statement and issues Tomahawk 2009 Options as consideration for the above acquisition, the total number of options to acquire Tomahawk Shares which would be on issue are set out in the table below. The table sets out the number of Tomahawk 2009 Options which would be on issue, both if no existing K2 Energy Options are exercised and if all the existing K2 Energy Options are exercised. The exercise price of all of the K2 Energy Options is \$0.20 per option, and if all K2 Energy Options were exercised, K2 Energy would receive additional cash of approximately \$10,700,000 from the payment of the exercise price of the K2 Energy Options.

The actual number of Tomahawk options on issue will depend upon the number of acceptances of the Option Offer, and the effect of rounding of fractional entitlements (which will be rounded up to the nearest whole number).

	90% Option Offer Acceptances¹	100% Option Offer Acceptances¹	If all K2 Energy Options Exercised
Issued Tomahawk 2009 Options as at the date of this Bidder's Statement	Nil	Nil	Nil
Number of Tomahawk 2009 Options to be issued under the Option Offer	25,200,000	28,000,000	Nil
Listed Tomahawk 2008 Options as at the date of this Bidder's Statement	12,298,000	12,298,000	12,298,000
Unlisted options to acquire Tomahawk Shares on issue as at the date of this Bidder's Statement ²	2,000,000	2,000,000	2,000,000
Total options to acquire Tomahawk Shares on issue following the Offer	39,498,000	42,298,000	14,298,002

1. This represents the number of Tomahawk 2009 Options that would be issued based on the existing number of K2 Energy Options on issue and no K2 Energy Options being exercised during the Option Offer Period.
2. These options are held by current Directors (Mr Brennan 850,000, Mr Rosenthal 500,000, Mr Brophy 400,000 and Mr Ralston 250,000) and will expire when the relevant Director retires unless exercised before that date. Tomahawk understands that Mr Brennan and Mr Ralston intend to retire upon the minimum acceptance conditions in relation to the Offers being met, and the Offers becoming unconditional and therefore unless exercised prior to retiring, the options of these Directors will lapse as has been the case when Directors previously retired.

6.4 Effect on substantial shareholders of Tomahawk post completion of the Takeover Bid

The acquisition of K2 Energy will impact the substantial shareholders of Tomahawk. Based on current shareholdings, the table below summarises the expected substantial shareholders of Tomahawk on completion of the Share Offer.¹

Name	Number of Tomahawk Shares held post completion of the Takeover Bid	Based on 50% acceptances and no K2 Energy Options exercised	Based on 100% acceptances and no K2 Energy Options exercised	Based on 100% acceptance and all K2 Energy Options exercised
Metro Energy Group Inc	6,000,000	6,000,000	6,000,000	6,000,000

Notes:

1. Assumes the substantial shareholder has no interest in the K2 Energy Shares or K2 Energy Options.

7. SECTION 7 - FINANCIAL INFORMATION

7.1 Overview

This Section contains:

- summary historical financial information (income statement, balance sheet statement of cashflows and statement of changes in equity) for the half year ended 31 December 2006 for each of Tomahawk and K2 Energy, extracted from the published financial statements of Tomahawk and K2 Energy. As indicated in Section 4.12 of this Bidder's Statement, copies of Tomahawk's published financial statements are available from Tomahawk; and
- a pro forma combined balance sheet of Tomahawk and K2 Energy (**Merged Entity**) prepared based on the assumptions specified in Section 7.3.1 below, which are based on the published financial statements of Tomahawk and K2 Energy for the half year ended 31 December 2006.

Tomahawk's Annual Report for the year ended 30 June 2006 includes a statement of accounting policies and various notes to the financial statements. Tomahawk has applied those same accounting policies in the preparation of the financial information set out below.

This Section should be read in conjunction with Section 6, which provides details of Tomahawk's current intentions regarding K2 Energy.

7.2 Summary historical financial information

7.2.1 Financial information about Tomahawk Energy

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

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

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

Audit Qualification on 31 December 2006 Half Year Report

In their review conducted on the Half Year Report to 31 December 2006, the auditors qualified their opinion with respect to the amount provided in relation to income taxes payable. The Directors are of the opinion that the amount (if any) will be nominal and that the audit report as at 30 June 2007 will be unqualified in relation to this matter.

Consolidated Historical Financial Performance and Tomahawk recent financial reporting

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

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

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

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

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

The accompanying notes form part of these financial statements

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

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

The accompanying notes form part of these financial statements

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

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

The accompanying notes form part of these financial statements

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

NOTE 2: PROFIT BEFORE INCOME TAX EXPENSE

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

NOTE 3: ISSUED CAPITAL

	Consolidated	
	31 December 2006 \$	30 June 2006 \$
(a) <i>Ordinary shares</i>		
Issued and fully paid	25,234,433	30,634,433
	No.	\$
<i>Movements in ordinary shares on issue</i>		
At 1 July 2006	75,494,827	30,634,433
Movement during the period	-	-
Cancellation of 9,000,000, shares	(9,000,000)	(5,400,000)
At 31 December 2006	66,494,827	25,234,433

(b) *Options*

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

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

NOTE 4: PRIOR PERIOD ADJUSTMENTS

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

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

30 June 2006	Consolidated		
	Reported Balance	Adjustment	Re-instated Balance
	\$	\$	\$
Unrealised foreign exchange gain/(losses)	-	(470,333)	(470,333)

Deferred exploration, evaluation and development costs	26,095,766	457,969	26,553,735
Foreign currency translation reserves	-	7,500	7,500
Accumulated losses	5,326,991	(465,468)	4,861,523
Net assets	27,490,742	457,967	27,948,709

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

NOTE 5: RESERVES

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

NOTE 6: SEGMENT REPORTING

Geographical segments

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

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

NOTE 7: CONTINGENT LIABILITIES

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

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

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

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

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

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

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

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

2. As announced to ASX on 23 February 2007, the Company has agreed with K2 Energy Limited (K2 Energy) to merge. The merger is to be carried out by Tomahawk making a takeover offer for K2 Energy. Under the merger Tomahawk will offer 6 new Tomahawk fully paid ordinary shares for every 10 fully paid ordinary shares in K2 Energy and 3 new Tomahawk 31 December 2008 options for every 7 options held in K2 Energy.

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

7.2.2 Financial information about K2 Energy

Introduction

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

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

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

Consolidated Historical Financial Performance and K2 Energy recent financial reporting

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

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

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

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

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

The accompanying notes form part of this financial report.

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

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

The accompanying notes form part of these financial statements.

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

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

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

NOTE 1: BASIS OF PREPARATION

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

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

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

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

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

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

NOTE 3: DIVIDENDS

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

NOTE 4: ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND RESTRUCTURINGS

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

NOTE 5: DISCONTINUING OPERATIONS

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

NOTE 6: SEGMENT INFORMATION

Primary Reporting – Business Segments

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

Secondary Reporting – Geographical Segments

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

Geographical location:	31.12.05 \$	31.12.05 \$
Australia	31,330	31,242
USA	-	-
	31,330	31,242

7.3 Pro forma combined balance sheet

Introduction

A pro forma combined balance sheet of Tomahawk and K2 Energy (**Merged Entity**) prepared based on the assumptions specified in Section 7.3.1 below, which are based on the published financial statements of Tomahawk and K2 Energy for the half year ended 31 December 2006 is set out below.

PROFORMA COMBINED BALANCE SHEET AS AT 31 DECEMBER 2006

	50.1% Ownership \$	100% Ownership \$
CURRENT ASSETS		
Cash and cash equivalents	10,259,969	10,249,969
Trade and other receivables	241,348	241,348
TOTAL CURRENT ASSETS	10,501,317	10,491,317
NON-CURRENT ASSETS		
Property, plant and equipment	15,180	15,180
Exploration and evaluation expenditure	19,736,758	19,736,758
Deferred tax assets	54,198	54,198
Goodwill	4,636,000	4,646,000
TOTAL NON-CURRENT ASSETS	24,442,136	24,452,136
TOTAL ASSETS	34,943,453	34,943,453
CURRENT LIABILITIES		
Current tax liabilities	405,953	405,953
Payables	391,374	391,374
Provisions	12,909	12,909
TOTAL CURRENT LIABILITIES	810,236	810,236
NON-CURRENT LIABILITIES		
Provisions	9,188	9,188
Deferred tax liabilities	-	-
TOTAL NON-CURRENT LIABILITIES	9,188	9,188
TOTAL LIABILITIES	819,424	819,424
NET ASSETS	34,124,029	34,124,029
EQUITY		
Issued capital	32,723,144	39,932,696
Foreign currency translation reserve	2,291,700	2,291,700
Accumulated losses	(8,100,367)	(8,100,367)
Minority Interest	7,209,552	-
TOTAL EQUITY	34,124,029	34,124,029

7.3.1 Basis of preparation for pro forma combined balance sheet

The pro forma combined balance sheet at 31 December 2006 has been prepared on the following assumptions:

(a) **50.1% Ownership by Tomahawk**

- All financial subsequent events have been accounted for at 31 December 2006;
- There has been no further subsequent events that require amendments;
- Total share issue required by Tomahawk to acquire 50.1% control in K2 Energy has been determined as follows:

Total shares on issue by K2 Energy	86,000,000
Proposed acquisition of 50.1% ownership	<u>43,086,000</u>
Total shares currently held by Tomahawk	-
Additional shares to be acquired by Tomahawk in K2 Energy	<u><u>43,086,000</u></u>
Total Tomahawk shares to be issued on 6:10 basis	25,851,600
Value of Tomahawk shares, being closing price of Tomahawk shares on 30 March 2007	\$0.28 per share
Value of shares issued	<u><u>7,238,448</u></u>

- Goodwill on acquisition of \$4,083,000, being the excess of consideration above book value, allocated to investment properties; and
- Cost of acquisitions include the following expenses:

<i>Cash expense</i>	\$
Legal fees	45,000
Success fee- cash element	250,000
Listing fees	<u>8,000</u>
Total cash expense	<u><u>303,000</u></u>

<i>Non-cash expense</i>	
Success fee- equity element	<u><u>250,000</u></u>

Total cost of acquisition	<u><u>553,000</u></u>
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(b) **100% Ownership by Tomahawk**

- All financial subsequent events have been accounted for at 31 December 2006;
- There has been no further subsequent events that require amendments;

- Total share issue required by Tomahawk to acquire 100% control in K2 Energy has been determined as follows:

Total shares on issue by K2 Energy	86,000,000
Proposed acquisition of 100% ownership	<u>86,000,000</u>
Total shares currently held by Tomahawk	-
Additional shares to be acquired by Tomahawk in K2 Energy	<u><u>86,000,000</u></u>
Total Tomahawk shares to be issued on 6:10 basis	51,600,000
Value of Tomahawk shares, being closing price of Tomahawk shares on 30 March 2007	\$0.28 per share
Value of shares issued	<u>\$14,448,000</u>

- Goodwill on acquisition of \$4,083,000, being the excess of consideration above book value, allocated to investment properties; and

- Cost of acquisitions include the following expenses:

<i>Cash Expense</i>	\$
Legal fees	45,000
Success fee- cash element	250,000
Listing fees	<u>18,000</u>
Total cash expense	<u><u>313,000</u></u>
<i>Non-cash expense</i>	
Success fee- equity element	<u><u>250,000</u></u>
Total cost of acquisition	<u><u>563,000</u></u>

8. SECTION 8 – AUSTRALIAN TAX CONSIDERATIONS

8.1 Introduction

This Section of this Bidder's Statement provides a general summary of some of the tax consequences to Australian resident holders of K2 Energy Shares and/or K2 Energy Options (**K2 Energy Offerees**) as a result of accepting the Offers. It does not constitute tax advice.

Any K2 Energy Offerees not resident in Australia should seek their own independent taxation advice.

The Australian taxation consequences for K2 Energy Offerees who accept the Offer will be dependent upon a number of factors, including:

- whether the K2 Energy Offeree holds their K2 Energy Shares and/or K2 Energy Options on capital or revenue account or as trading stock;
- the tax residency of the K2 Energy Offeree (i.e. whether Australian resident or not); and
- whether the level of acceptances under the Share Offer is at least 80%.

The tax consequences outlined in this report are referable to a K2 Energy Offeree who is a resident of Australia for tax purposes. The outline set out below does not take into account or anticipate changes in the law (by legislation or judicial decision). In addition, the outline is not exhaustive of all income tax considerations which could apply in all circumstances of any given K2 Energy Offeree. Special additional rules may apply to particular K2 Energy Offerees, such as insurance companies, superannuation funds and financial institutions.

K2 Energy Offerees who are not resident in Australia for tax purposes should also take into account the tax consequences under the laws of their country of residence, as well as Australian law, of acceptance of the Offers and the acquisition, ownership and disposal of Tomahawk Shares and Tomahawk 2009 Options.

All K2 Energy Offerees should consult their own independent tax advisers regarding the income tax and capital gains tax consequences of disposing of K2 Energy Shares and/or K2 Energy Options having regard to their particular circumstances.

Subject to the above, described below is a broad overview of the taxation consequences to Australian resident K2 Energy Offerees.

8.2 Income Tax and Capital Gains Tax Issues

The taxation consequences associated with the Offer will depend upon whether the K2 Energy Offerees hold the K2 Energy Shares and/or K2 Energy Options as:

- capital assets;
- revenue assets; or
- trading stock.

Each K2 Energy Offerees will need to determine which category they fall into. The Australian income tax consequences of accepting the Offer for each K2

Energy Offerees will differ depending on which category of ownership applies to them.

(a) **K2 Energy Shares and K2 Energy Options held on capital account**

K2 Energy Offerees who hold their K2 Energy Shares and/or K2 Energy Options as passive investments with the intention of generating dividend income and long term capital growth are likely to be considered to hold shares on capital account for tax purposes.

To the extent that the value of the consideration received (being the market value of the Tomahawk Shares and/or K2 Energy Options) is greater or less than the cost base of the K2 Energy Shares and/or K2 Energy Options, a capital gain or capital loss may result. If a K2 Energy Offeree (being an individual or trust) has held their K2 Energy Shares and/or K2 Energy Options for at least 12 months, any capital gain may be treated as a Discount Capital Gain.

Choosing the CGT discount, where it is available, permits eligible K2 Energy Offerees which are individuals or trustees of shares and/or option to reduce the nominal capital gain arising on the disposal of the K2 Energy Shares and/or Options by one-half. For individuals, this reduced gain should be assessed at the shareholder's marginal tax rate. Trustees should seek specific advice regarding the tax consequences of distributions attributable to discounted capital gains.

Where K2 Energy Shares and/or Options are held by a complying superannuation entity and the CGT discount is validly chosen, the discount will reduce the nominal capital gain on the disposal of the shares and/or options by one-third.

Where the shareholders are companies, they will not be entitled to the CGT discount.

Further, if a capital gain accrues to a K2 Energy Offeree as a result of accepting this Offer, they may be eligible for tax relief upon the disposal of their K2 Energy Shares and/or K2 Energy Options under the scrip for scrip rollover provisions. Significantly, the scrip for scrip rollover provisions do not apply where a K2 Energy Offeree realises a capital loss on acceptance of the Offer.

In order for a K2 Energy Offeree to be eligible for scrip for scrip rollover relief, it is a requirement that there be at least an 80% acceptance of the Offers by K2 Energy Offerees. Given that a condition of the Offer is that the level of acceptance must be at least 90%, scrip for scrip rollover will be available.

If the pre-conditions for scrip for scrip rollover relief are satisfied, than those K2 Energy Offerees who elect for it to apply, should not be required to include any amount of capital gain in their assessable income in respect of the disposal of their K2 Energy Shares and/or K2 Energy Options.

Special rules may apply if a K2 Energy Offeree together with its associates, holds 30% or more of the voting, dividend or capital distribution rights of K2 Energy immediately before the commencement of the Offer Periods. Such K2 Energy Offerees should seek separate advice on this issue.

Broadly, scrip for scrip rollover relief may not be available for non resident K2 Energy Offerees unless the Tomahawk Shares and/or Tomahawk 2009 Options will remain within the Australian capital gains tax regime.

(b) **K2 Energy Shares or K2 Energy Options held on revenue account**

K2 Energy Offerees who acquired their K2 Energy Shares and/or K2 Energy Options with the dominant purpose of reselling them at a profit are likely to be considered to hold their K2 Energy Shares and/or K2 Energy Options on revenue account for tax purposes.

Where this is the case, any gain or loss realised on disposal of the K2 Energy Shares and/or K2 Energy Options (determined based on the market value of the Tomahawk Shares and/or Tomahawk 2009 Options received) will be assessed as ordinary income or claimed as a revenue deduction. The scrip for scrip rollover relief provisions will have no application. The Discount Capital Gain will also not be available in this situation.

(c) **K2 Energy Shares or K2 Energy Options held as trading stock**

K2 Energy Offerees, who are engaged in the business of share trading, whereby they regularly acquire shares and hold them with a view to making short-term profits through sale or exchange in the ordinary course of carrying on a business, would hold the K2 Energy Shares and/or K2 Energy Options as trading stock.

Where this is the case, scrip for scrip rollover relief will not be available on acceptance of the Offers. Any proceeds received from the sale arising from the Offers (being the market value of the Tomahawk Shares and/or Tomahawk 2009 Options) will be included in assessable income in these circumstances. The Discount Capital Gain will also not be available.

(d) **Ownership and disposal of Tomahawk Shares and Tomahawk 2009 Options**

If the holders of K2 Energy Shares and/or K2 Energy Options have any questions about the financial or taxation aspects of holding or disposing of Tomahawk Shares and/or Tomahawk 2009 Options, then they should consult a suitably qualified adviser, prior to making a decision whether or not to accept the Offer for their K2 Energy Shares and/or K2 Energy Options.

Subject to paragraph (b) above, the Australian income tax and capital gains tax consequences of ownership of Tomahawk Shares and Tomahawk 2009 Options will broadly be the same as those consequences of ownership of K2 Energy Shares and/or K2 Energy Options. Similarly, the disposal of shares or options in Tomahawk will be subject to the same Australian capital gains tax consequences as are described above in relation to the disposal of K2 Energy Shares and/or K2 Energy Options, subject to the following differences in the case of an K2 Energy Offeree who makes a valid election for scrip for scrip rollover relief to apply in relation to the exchange of K2 Energy Shares and/or K2 Energy Options for shares or options in Tomahawk.

When a K2 Energy Offeree is eligible for scrip for scrip rollover relief, and makes an election for it to apply, then:

- for the purposes of determining whether the Tomahawk Shares or Tomahawk 2009 Options issued under this Offer have been held for at least 12 months, and therefore potentially eligible for a Discount Capital Gain on any subsequent disposal of the Tomahawk Shares issued under this Offer, those shares or options will be taken to have been acquired at the time the K2 Energy Shares and/or K2 Energy Options were originally acquired; and
- the capital gains tax cost base and reduced costs base of the Tomahawk Shares and/or Tomahawk 2009 Options issued under this Offer will be determined on the basis of a reasonable apportionment of the cost base and reduced costs base of the K2 Energy Shares and/or K2 Energy Options disposed of by the accepting K2 Energy Offeree.

Where scrip for scrip rollover relief did not apply to the disposal of K2 Energy Shares and/or K2 Energy Options, the cost base of the Tomahawk Shares and/or Tomahawk 2009 Options issued under this Offer shall generally be the value of the K2 Energy Shares and/or K2 Energy Options on the date on which an K2 Energy Offeree accepts the Offer or on the date on which the contract created by acceptance of the Offer becomes unconditional.

8.3 GST Considerations

K2 Energy Offerees who accept the Offer and who are registered, or required to be registered for GST will also need to consider whether there is a GST impact to them.

A supply of shares and/or options is an input taxed supply for GST purposes. Consequently, the disposal of shares and/or options by K2 Energy Offerees to Tomahawk will not give rise to any GST liability.

However, any GST on costs associated with the sale or acquisition of shares and/or options may become a cost to the K2 Energy Offerees. This is because GST incurred on costs that relate to the making of input tax supplies is not generally recoverable as input tax credits. However, any impact will be dependant upon the level of costs associated with the sale and the individual K2 Energy Offeree's own GST status.

As special rules exist which may reduce partially or possibly in full, input tax credits in certain circumstances, each K2 Energy Offeree should obtain their own advice.

9. SECTION 9 – TERMS OF SHARE OFFER

9.1 General Terms

- (a) Tomahawk offers to acquire all of your K2 Energy Shares on the terms and conditions of this Share Offer.
- (b) This Share Offer relates to:
 - (i) all K2 Energy Shares which exist (or will exist) as at the date set by Tomahawk under Section 633(2) of the Corporations Act; and
 - (ii) any K2 Energy Shares which may be issued after the date set by Tomahawk under Section 633(2) of the Corporations Act and prior to the close of the Share Offer Period pursuant to the exercise of K2 Energy Options.
- (c) If necessary, the number of your K2 Energy Shares to which this Share Offer relates will be rounded up to the next nearest whole number.
- (d) The consideration being offered by Tomahawk for the acquisition of all of your K2 Energy Shares is six (6) Tomahawk Shares for every ten (10) K2 Energy Shares that you own.
- (e) If you accept this Share Offer and Tomahawk acquires your K2 Energy Shares, Tomahawk is also entitled to any Rights in respect of your K2 Energy Shares.
- (f) Except as provided in Section 9.7, if you wish to accept this Share Offer and receive Tomahawk Shares for your K2 Energy Shares, and you are not resident in the Commonwealth of Australia or New Zealand or your acceptance is for any reason governed by a Foreign Law, then you must comply with any relevant Foreign Law. It is your sole responsibility to satisfy yourself as to full compliance with the Foreign Law and any other necessary formality and to obtain any necessary governmental or other consents.

This Share Offer is not registered in any jurisdiction outside Australia. If you are subject to a Foreign Law which you believe precludes you from receiving Tomahawk Shares, then you may, if permitted by the Foreign Law, accept this Share Offer and by so indicating in the appropriate place on the Acceptance Form, require Tomahawk to deal with your acceptance and any Tomahawk Shares to which you would otherwise be entitled as a result of that acceptance in the same way as an acceptance of this Share Offer to which Section 9.7 applies.
- (g) Tomahawk will apply to ASX for quotation of the Tomahawk Shares to be issued pursuant to this Share Offer within 7 days after the start of the Bid Period.
- (h) The Tomahawk Shares to be issued pursuant to this Share Offer will, from their date of issue, rank equally in all respects with existing Tomahawk Shares currently on issue.
- (i) The rights and obligations of the Tomahawk Shares are set out in Section 12 of this Bidder's Statement.

9.2 Share Offer Period

Unless withdrawn, this Share Offer will remain open for acceptance during the period commencing on the date of this Share Offer and ending at 5:00pm (WST) on 23 May 2007, subject to any extension of that period pursuant to Section 650C of the Corporations Act.

9.3 Who May Accept

(a) This Share Offer is being made to each holder of K2 Energy Shares who is registered, or entitled to be registered as a holder of K2 Energy Shares as at 5.00pm (WST) on the date of this Share Offer.

(b) A person who:

- (i) is able during the Share Offer Period to give good title to a parcel of K2 Energy Shares; and
- (ii) has not already accepted this Share Offer which relates to those K2 Energy Shares,

may accept as if a Share Offer from Tomahawk on terms identical with this Share Offer had been made to that person in relation to those K2 Energy Shares.

(c) If at any time during the Share Offer Period and before this Share Offer is accepted you hold your K2 Energy Shares in two or more distinct portions (for example, as trustee, nominee or otherwise on account of another person) within the meaning of Section 653B of the Corporations Act, then:

- (i) this Share Offer is deemed to consist of a separate corresponding Share Offer to you in relation to each distinct portion of your K2 Energy Shares;
- (ii) to accept any of those corresponding Share Offers, you must specify by written notice to Tomahawk that your K2 Energy Shares consist of distinct portions and the number of the K2 Energy Shares to which the acceptance relates; and
- (iii) otherwise Section 653B of the Corporations Act applies to this Share Offer in respect of your K2 Energy Shares and any acceptance of this Share Offer by you.

9.4 How to Accept this Share Offer

(a) You may only accept this Share Offer in respect of 100% (and not a lesser proportion) of your K2 Energy Shares. For example, if you have 10,000 K2 Energy Shares and you wish to accept the Share Offer, you may only accept this Share Offer in respect of 10,000 K2 Energy Shares.

(b) You may only accept this Share Offer during the Share Offer Period.

(c) The method by which you can accept this Share Offer will depend on whether your K2 Energy Shares are in an Issuer Sponsored Holding or a CHES Holding. Your K2 Energy Shares are in an Issuer Sponsored Holding if they are sponsored directly by K2 Energy as issuer. Your K2 Energy Shares are in a CHES Holding if they are sponsored by a Broker

or other CHESS participant or if you are a Broker or Non-Broker Participant.

(d) **Issuer Sponsored Holdings:** If your K2 Energy Shares are held on K2 Energy's issuer sponsored sub-register when you accept, you must:

- (i) complete and sign the Share Offer Acceptance Form in accordance with the instructions on the Share Offer Acceptance Form; and
- (ii) ensure that the Share Offer Acceptance Form together with all other documents required by the instructions on it (including the certificates in respect of any of your K2 Energy Shares which are certificated) are received at the following address before the end of the Share Offer Period:

Mailing Address:
Tomahawk Energy Limited
C/- Advanced Share Registry Services
PO Box 1156
NEDLANDS WA 6909

Delivery Address:
Tomahawk Energy Limited
C/- Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

(e) **CHESS Holdings:** If your K2 Energy Shares are in a CHESS Holding when you accept this Share Offer, you must comply with the ASTC Settlement Rules. Accordingly, to accept this Share Offer in respect of your K2 Energy Shares, you should:

- (i) instruct your Controlling Participant to initiate acceptance of this Share Offer in accordance with Rule 14.4 of the ASTC Settlement Rules before the end of the Share Offer Period. For non institutional shareholders, your "Controlling Participant" will normally be the stockbroker through whom you either bought your K2 Energy Shares or through whom you ordinarily acquire shares on ASX; or
- (ii) if you are a Broker or a Non-Broker Participant (i.e. CHESS participants who are not brokers e.g. institutions, custodian, trustees), initiate acceptance of this Share Offer in accordance with Rule 14.4 of the ASTC Settlement Rules before the end of the Share Offer Period.

Alternatively, you may sign and complete the accompanying Share Offer Acceptance Form in accordance with the terms of this Share Offer and the instructions on the Share Offer Acceptance Form and ensure that it is received before the expiry of the Share Offer Period at the address specified in Section 9.4(d)(ii). In that case, you will be deemed to have authorised Advanced Share Registry Services to forward your instructions to your Controlling Participant, who will then accept this Share Offer on your behalf during the Share Offer Period in accordance with the ASTC Settlement Rules and the Corporations Act.

CHESS holders should note that acceptance of the Share Offer will not be effected until it is received by their Controlling Participant and processed by them electronically through CHESS.

- (f) The return of the Share Offer Acceptance Form to Advanced Share Registry Services by facsimile does not satisfy the requirements of Sections 9.4(d) or 9.4(e) (unless you have made prior arrangements with Tomahawk). If your Share Offer Acceptance Form is returned by post, it will be deemed to have been received in time if the envelope in which it is sent is post-marked before the end of the Share Offer Period.
- (g) Once you have accepted this Share Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you, subject to Section 650E of the Corporations Act.
- (h) Tomahawk may, in its sole discretion, at any time deem any Acceptance Form it receives to be a valid acceptance in respect of your K2 Energy Shares even if a requirement for acceptance has not been complied with.

9.5 The Effect of Acceptance

- (a) By following the procedures described in Sections 9.4(c), 9.4(d) and 9.4(e), you will be deemed to have:
 - (i) accepted this Share Offer in respect of the K2 Energy Shares registered in your name to which this Share Offer relates (**Purchased Shares**), regardless of the number of K2 Energy Shares specified in the Acceptance Form (subject however to Sections 9.3(b) and 9.3(c));
 - (ii) agreed to transfer your Purchased Shares to Tomahawk;
 - (iii) agreed to accept the consideration being offered by Tomahawk and agreed to be bound by the Constitution of Tomahawk;
 - (iv) authorised Tomahawk to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary:
 - (A) to make the Acceptance Form an effective acceptance of this Share Offer; and/or
 - (B) to enable registration of the transfer to Tomahawk of your Purchased Shares;
 - (v) irrevocably authorised and directed K2 Energy to pay to Tomahawk or to account to Tomahawk for all dividends and other distributions and entitlements which are declared, paid or which arise or accrue after the date of this Share Offer in respect of your Purchased Shares which Tomahawk acquires pursuant to this Share Offer (subject to Tomahawk accounting to you for any dividends, distributions or entitlements received by it if your acceptance of this Share Offer is validly withdrawn pursuant to Section 650E of the Corporations Act or the contract resulting from that acceptance becomes void);

- (vi) represented and warranted to Tomahawk that Tomahawk will acquire good title to and beneficial ownership of all of your Purchased Shares free from all mortgages, charges, liens, encumbrances (whether legal or equitable) and other third party interests of any kind;
- (vii) unless you are a foreign shareholder (as that expression is defined in Section 9.7(a)), agreed to accept the Tomahawk Shares to which you become entitled by accepting this Share Offer subject to Tomahawk's Constitution and the terms of issue of the Tomahawk Shares and to have authorised Tomahawk to place your name on its register of shareholders as the holder of your respective portion of Tomahawk Shares;
- (viii) represented and warranted to Tomahawk that the making by Tomahawk to you, and your acceptance, of this Share Offer is lawful under any Foreign Law which applies to you, to the making of this Share Offer, and to your acceptance of this Share Offer;
- (ix) agreed to indemnify Tomahawk fully in respect of any claim, demand, action, suit or proceeding made or brought against Tomahawk and any loss, cost, expense, damage or liability whatsoever suffered or incurred by Tomahawk as a result of Tomahawk not receiving from you any certificate(s) for your Purchased Shares;
- (x) appointed Tomahawk or any nominee of Tomahawk as your agent and attorney to exercise all the powers and Rights attaching to your Purchased Shares and have agreed not to revoke that appointment during the period (**Proxy Period**) between the date of your acceptance of this Share Offer and the earlier of:
 - (A) the date on which Tomahawk is registered as the holder of your Purchased Shares;
 - (B) the date on which your acceptance is validly withdrawn pursuant to Section 650E of the Corporations Act; or
 - (C) the date on which the contract resulting from your acceptance becomes void under Section 650G of the Corporations Act;
- (xi) agreed that in exercising the powers conferred by the power of attorney in Section 9.5(a)(x) above, Tomahawk or its nominee is entitled to act in the interests of Tomahawk;
- (xii) authorised Tomahawk, as your agent and attorney, and in your name and on your behalf, to execute, at any time after your acceptance of this Share Offer, all forms, notices and instruments in respect of your Purchased Shares, and to have agreed not to revoke that authority during the Proxy Period;
- (xiii) if K2 Energy makes any offer for the issue of any securities in K2 Energy to you between the period commencing on 23 February 2007 (being the date of announcement of the Takeover Bid)

(Additional K2 Energy Securities) and expiring at the end of the Share Offer Period, irrevocably appointed Tomahawk and its directors from time to time jointly and severally as your attorney in your name and on your behalf, with effect from the date that the Share Offer, or any contract resulting from your acceptance of the Share Offer, becomes unconditional, to execute all such instruments as Tomahawk may require including, without limitation, the rights to:

- (A) receive, on your behalf, any offer made by K2 Energy for the issue of Additional K2 Energy Securities;
- (B) accept, on your behalf, any offer made by K2 Energy for the issue of Additional K2 Energy Securities by:
 - (I) completing any application form for the issue of the Additional K2 Energy Securities in your name; and
 - (II) remitting the subscription monies to K2 Energy in payment for the Additional K2 Energy Securities the subject of the offer; and
- (C) execute all forms, transfers, assignments, notices, instruments, consents and agreements as may be required for the purpose of vesting in Tomahawk the Additional K2 Energy Securities in satisfaction of the loan that will arise as a result of Tomahawk remitting the subscription monies to K2 Energy in accordance with paragraph (B)(II) above;

and to have agreed that in exercising the powers conferred by that power of attorney, the attorney shall be entitled to act in the interests of Tomahawk as the beneficial owner and intended registered holder of your Purchased Shares in respect of which you have accepted this Share Offer and to have further agreed to do all such acts, matters and things that Tomahawk may require to give effect to the matters the subject of this paragraph (including the execution of a written form of application for the Additional K2 Energy Securities to the same effect as this paragraph which complies in all respects with the requirements of the Constitution of K2 Energy) if requested by Tomahawk; and

- (xiv) irrevocably appointed Tomahawk and its directors from time to time jointly and severally as your attorney in your name and on your behalf, with effect from the date that the Share Offer, or any contract resulting from your acceptance of the Share Offer, becomes unconditional to exercise all powers and Rights which you may have as the holder of your Purchased Shares including, without limitation, the rights to:
 - (A) attend and vote in respect of your Purchased Shares at any and all meetings of K2 Energy;
 - (B) requisition or join with other holders of Purchased Shares in requisitioning and/or convening a meeting of the members of K2 Energy;

- (C) demand a poll for any vote to be taken at any meeting of K2 Energy Shareholders;
- (D) propose or second any resolutions to be considered at any, and all meetings of K2 Energy Shareholders;
- (E) execute all forms, transfers, assignments, notices, instruments (including instruments appointing a director of Tomahawk as a proxy in respect of all or any of your Purchased Shares and a transfer form for your Purchased Shares), proxies, consents, agreements and resolutions relating to your Purchased Shares;
- (F) request K2 Energy to register in the name of Tomahawk or its nominee your Purchased Shares which you hold on any register of K2 Energy,

and to have agreed that in exercising the powers conferred by that power of attorney, the attorney shall be entitled to act in the interests of Tomahawk as the beneficial owner and intended registered holder of your Purchased Shares in respect of which you have accepted this Share Offer and to have further agreed to do all such acts, matters and things that Tomahawk may require to give effect to the matters the subject of this paragraph (including the execution of a written form of proxy to the same effect as this paragraph which complies in all respects with the requirements of the Constitution of K2 Energy) if requested by Tomahawk.

- (b) Tomahawk may at any time in its absolute discretion:
 - (i) treat the receipt by it of an Acceptance Form during the Share Offer Period (or in an envelope post-marked before the expiry of the Share Offer Period) as a valid acceptance notwithstanding that one or more of the other requirements for a valid acceptance have not been complied with; and
 - (ii) where you have satisfied the requirements for acceptance in respect of only some of your K2 Energy Shares, treat the acceptance as a valid acceptance in respect of all of your K2 Energy Shares.

In respect of any part of an acceptance treated by it as valid, Tomahawk will provide you with the relevant consideration in accordance with Section 9.6(a), and the exercise of Tomahawk's rights under this Section 9.5(a)(i) will be conclusively and only evidenced by its so doing. This Section is not a condition of this Share Offer.

9.6 Tomahawk's Obligations in respect of K2 Energy Shares Acquired

- (a) Subject to this Share Offer, Tomahawk will provide the consideration for your K2 Energy Shares not later than one month after this Share Offer is accepted or this Share Offer (or the contract resulting from its acceptance) becomes unconditional, whichever is the later, but in any event (assuming the Share Offer becomes or is declared unconditional) not later than 21 days after the end of the Share Offer Period.

- (b) Subject to Section 9.7, a holding statement for the Tomahawk Shares to which you become entitled by accepting this Share Offer will be sent by pre-paid mail (airmail in the case of overseas K2 Energy Shareholders) to your address as shown on the Acceptance Form.
- (c) If at the time of acceptance of this Share Offer you are resident in, or a resident of, a place outside Australia, you will not be entitled to receive any consideration pursuant to that acceptance until you obtain all requisite authorities or clearances (if any) of the Reserve Bank of Australia (whether under the Banking (Foreign Exchange) Regulations or otherwise) or the Australian Taxation Office.
- (d) Where the Acceptance Form requires an additional document to be given with your acceptance (such as a power of attorney):
 - (i) if that document is given with your acceptance, Tomahawk will provide the consideration in accordance with Section 9.6(a);
 - (ii) if that document is given after acceptance and before the end of the Share Offer Period while this Share Offer is subject to a defeating condition, Tomahawk will provide the consideration by the end of whichever of the following periods ends earlier:
 - (A) within one month after this Share Offer becomes unconditional; or
 - (B) 21 days after the end of the Share Offer Period;
 - (iii) if that document is given after acceptance and before the end of the Share Offer Period while this Share Offer is not subject to a defeating condition, Tomahawk will provide the consideration by the end of whichever of the following periods ends earlier:
 - (A) one month after that document is given; or
 - (B) 21 days after the end of the Share Offer Period; and
 - (iv) if that document is given after the end of the Share Offer Period, Tomahawk will provide the consideration within 21 days after that document is given.

9.7 Foreign Shareholders

- (a) If you are (or are acting on behalf of) a resident in, or a resident of, a place outside Australia or its external territories or New Zealand, you will be a foreign shareholder for the purposes of Section 9.7.
- (b) If you are a foreign shareholder (as that expression is defined in Section 9.7(a)), and you accept this Share Offer, Tomahawk will:
 - (i) arrange for the issue to a nominee approved by the ASIC of the number of Tomahawk Shares to which you and all other foreign shareholders would have been entitled but for Section 9.7(a);
 - (ii) cause those Tomahawk Shares to be offered for sale in such manner, at such price and on such other terms and conditions as are approved by the nominee; and

- (iii) pay to you the amount ascertained in accordance with the following formula:

$$\text{Net Proceeds of Sale} \times \frac{\text{YS}}{\text{TS}}$$

Where:

- (A) **Net Proceeds of Sale** is the amount remaining after deducting the expenses of the sale from the proceeds of sale;
- (B) **YS** is the number of Tomahawk Shares which would, but for Section 9.7(a), have been allotted and issued to you; and
- (C) **TS** is the total number of Tomahawk Shares allotted and issued to the nominee under this Section in respect of the K2 Energy Shares held by all foreign shareholders.

9.8 Conditions of this Share Offer

- (a) Subject to Section 9.8(b), this Share Offer and any contract that results from acceptance of this Share Offer are each conditional on:
- (i) during, or at the end of the Share Offer Period, Tomahawk and its associates having a relevant interest in:
- (A) at least 90% of the K2 Energy Shares then on issue; and
- (B) at least 90% of the K2 Energy Options then on issue;
- (ii) none of the following occurrences taking place or having taken place during the period commencing on 23 February 2007 (being the date of announcement of the Takeover Bid) and ending on the expiry of the Share Offer Period, it being a separate condition of this Share Offer and any resulting contract that each such occurrence not happen during that period:
- (A) K2 Energy converting all or any of its K2 Energy Shares into a larger or smaller number of K2 Energy Shares;
- (B) K2 Energy or a subsidiary of K2 Energy resolving to reduce its share capital in any way;
- (C) K2 Energy or a subsidiary of K2 Energy:
- (I) entering into a buy-back agreement; or
- (II) resolving to approve the terms of a buy-back agreement under sub-Section 257C(1) or 257D(1) of the Corporations Act;
- (D) K2 Energy or a subsidiary of K2 Energy issuing shares or granting an option over its shares, or agreeing to make such an issue or grant such an option (other than an

allotment of K2 Energy Shares upon the exercise of K2 Energy Options);

- (E) K2 Energy or a subsidiary of K2 Energy issuing, or agreeing to issue, convertible notes;
 - (F) K2 Energy or a subsidiary of K2 Energy disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
 - (G) K2 Energy or a subsidiary of K2 Energy charging, or agreeing to charge, the whole, or a substantial part, of its business or property; or
 - (H) K2 Energy or a subsidiary of K2 Energy resolving that it be wound up.
- (b) Each condition in Section 9.8(a) is a separate, several and distinct condition, operates as a condition subsequent and is for the benefit of Tomahawk alone and may only be relied upon by Tomahawk.
- (c) Tomahawk may free this Share Offer, and any contract resulting from its acceptance, from all or any of the conditions in Section 9.8(a) by giving notice to K2 Energy declaring the Share Offers to be free from the conditions specified in accordance with Section 650F of the Corporations Act. This notice may be given:
- (i) in relation to the conditions in Section 9.8(a)(ii)(A) to 9.8(a)(ii)(H) inclusive – not later than 3 business days after the end of the Share Offer Period; and
 - (ii) in relation to other conditions – not later than 7 days before the end of the Share Offer Period.
- (d) Subject to the provisions of the Corporations Act, Tomahawk alone will be entitled to the benefit of the conditions in Section 9.8(a) and any breach or non-fulfilment thereof may be relied upon only by Tomahawk.
- (e) The date for giving the notice required by Section 630(3) of the Corporations Act is 16 May 2007, subject to extension in accordance with 630(2) if the Share Offer Period is extended pursuant to Section 650(C).

9.9 Withdrawal of Share Offer

Tomahawk may withdraw this Share Offer at any time before you accept it, but only with the consent in writing of the ASIC (which consent may be given subject to such conditions, if any, as are imposed by the ASIC).

9.10 Variation

Tomahawk may vary this Share Offer in accordance with Section 650D of the Corporations Act.

9.11 Tomahawk's relevant interest in K2 Energy Shares

At the date of the Bidder's Statement, there are 86,000,000 K2 Energy Shares and 56,000,000 K2 Energy Options on issue. As at the date of this Bidder's Statement

and immediately before this Share Offer was sent, Tomahawk and its associates did not have a relevant interest in any K2 Energy Shares, and accordingly have no voting power in K2 Energy.

9.12 No stamp duty or other costs

All costs and expenses of the preparation, dispatch and circulation of this Share Offer and any stamp duty payable in respect of the transfers will be paid by Tomahawk. No brokerage is payable by you if you accept this Share Offer.

9.13 Governing Law

This Share Offer and any contract that results from your acceptance of this Share Offer are governed by the laws in force in Western Australia.

9.14 Date of Share Offer

This Share Offer is dated 23 April 2007.

10. SECTION 10 – TERMS OF OPTION OFFER

10.1 General Terms

- (a) Tomahawk offers to acquire all of your K2 Energy Options on the terms and conditions of this Option Offer.
- (b) This Option Offer relates to all K2 Energy Options which exist (or will exist) as at the date set by Tomahawk under Section 633(2) of the Corporations Act.
- (c) The consideration being offered by Tomahawk for the acquisition of all of your K2 Energy Options is one (1) Tomahawk 2009 Option for every two (2) K2 Energy Options that you own.
- (d) If you accept this Option Offer and Tomahawk acquires your K2 Energy Options, Tomahawk will become entitled to all and any Rights in respect of your K2 Energy Options.
- (e) Except as provided in Section 10.7, if you wish to accept this Option Offer and receive Tomahawk 2009 Options for your K2 Energy Options, and you are not resident in the Commonwealth of Australia or New Zealand or your acceptance is for any reason governed by a Foreign Law, then you must comply with any relevant Foreign Law. It is your sole responsibility to satisfy yourself as to full compliance with the Foreign Law and any other necessary formality and to obtain any necessary governmental or other consents.

This Option Offer is not registered in any jurisdiction outside Australia. If you are subject to a Foreign Law which you believe precludes you from receiving Tomahawk 2009 Options, then you may, if permitted by the Foreign Law, accept this Option Offer and by so indicating in the appropriate place on the Acceptance Form, require Tomahawk to deal with your acceptance and any Tomahawk 2009 Options to which you would otherwise be entitled as a result of that acceptance in the same way as an acceptance of this Option Offer to which Section 10.7 applies.

- (f) Tomahawk will apply to ASX for quotation of the Tomahawk 2009 Options to be issued pursuant to this Option Offer within 7 days of the Offer becoming unconditional.
- (g) The Tomahawk 2009 Options to be issued pursuant to this Offer will, from their date of issue, have the same terms as the listed Tomahawk 2008 Options, with the exception of the expiry date, which is 30 September 2009 for the Tomahawk 2009 Options.
- (h) The rights and obligations of the Tomahawk 2009 Options are set out in Section 12 of this Bidder's Statement.

10.2 Option Offer Period

Unless withdrawn, this Option Offer will remain open for acceptance during the period commencing on the date of this Option Offer and ending at 5:00pm (WST) on 23 May 2007, subject to any extension of that period pursuant to Section 650C of the Corporations Act.

10.3 Who May Accept

- (a) This Option Offer is being made to each holder of K2 Energy Options registered, or entitled to be registered, in the register of optionholders of K2 Energy as at 5.00pm (WST) on the date of this Option Offer.
- (b) A person who:
 - (i) is able during the Option Offer Period to give good title to a parcel of K2 Energy Options; and
 - (ii) has not already accepted this Option Offer which relates to those K2 Energy Options,may accept as if an Option Offer from Tomahawk on terms identical with this Option Offer had been made to that person in relation to those K2 Energy Options.
- (c) If at any time during the Option Offer Period and before this Option Offer is accepted you hold your K2 Energy Options in two or more distinct portions (for example, as trustee, nominee or otherwise on account of another person) within the meaning of Section 653B of the Corporations Act, then:
 - (i) this Option Offer is deemed to consist of a separate corresponding Option Offer to you in relation to each distinct portion of your K2 Energy Options;
 - (ii) to accept any of those corresponding Option Offers, you must specify by written notice to Tomahawk that your K2 Energy Options consist of distinct portions and the number of the K2 Energy Options to which the acceptance relates; and
 - (iii) otherwise Section 653B of the Corporations Act applies to this Option Offer in respect of your K2 Energy Options and any acceptance of this Option Offer by you.

10.4 How to Accept this Option Offer

- (a) You may only accept this Option Offer in respect of 100% (and not a lesser proportion) of your K2 Energy Options. For example, if you have 10,000 K2 Energy Options and you wish to accept the Option Offer, you may only accept this Option Offer in respect of 10,000 K2 Energy Options.
- (b) You may only accept this Option Offer during the Option Offer Period.
- (c) The method by which you can accept this Option Offer will depend on whether your K2 Energy Options are in an Issuer Sponsored Holding or a CHESS Holding. Your K2 Energy Options are in an Issuer Sponsored Holding if they are sponsored directly by K2 Energy as issuer. Your K2 Energy Options are in a CHESS Holding if they are sponsored by a Broker or other CHESS participant or if you are a Broker or Non-Broker Participant.
- (d) **Issuer Sponsored Holdings:** If your K2 Energy Options are held on K2 Energy's issuer sponsored subregister when you accept, you must:

- (i) complete and sign the Option Offer Acceptance Form in accordance with the instructions on the Option Offer Acceptance Form; and
- (ii) ensure that the Option Offer Acceptance Form together with all other documents required by the instructions on it (including the certificates in respect of any of your K2 Energy Options which are certificated) are received at the following address before the end of the Option Offer Period:

Mailing Address:
Tomahawk Energy Limited
C/- Advanced Share Registry Services
PO Box 1156
NEDLANDS WA 6909

Delivery Address:
Tomahawk Energy Limited
C/- Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

- (e) **CHES Holdings:** If your K2 Energy Options are in a CHES Holding when you accept this Option Offer, you must comply with the ASTC Settlement Rules. Accordingly, to accept this Option Offer in respect of your K2 Energy Options, you should:

- (i) instruct your Controlling Participant to initiate acceptance of this Option Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Option Offer Period. For non institutional optionholders, your "Controlling Participant" will normally be the stockbroker through whom you either bought your K2 Energy Options or through whom you ordinarily acquire shares on ASX; or
- (ii) if you are a Broker or a Non-Broker Participant (i.e. CHES participants who are not brokers e.g. institutions, custodian, trustees), initiate acceptance of this Option Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Option Offer Period.

Alternatively, you may sign and complete the accompanying Option Offer Acceptance Form in accordance with the terms of this Option Offer and the instructions on the Option Offer Acceptance Form and ensure that it is received before the expiry of the Option Offer Period at the address specified in Section 9.4(d)(ii). In that case, you will be deemed to have authorised Advanced Share Registry Services to forward your instructions to your Controlling Participant, who will then accept this Option Offer on your behalf during the Option Offer Period in accordance with the ASTC Settlement Rules and the Corporations Act.

CHES holders should note that acceptance of the Option Offer will not be effected until it is received by their Controlling Participant and processed by them electronically through CHES.

- (f) The return of the Acceptance Form to Advanced Share Registry Services by facsimile does not satisfy the requirements of Sections 10.4(d) or 10.4(e) (unless you have made prior arrangements with Tomahawk). If your Acceptance Form is returned by post, it will be deemed to have been received in time if the envelope in which it is sent is post-marked before the end of the Option Offer Period.
- (g) Once you have accepted this Option Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you, subject to Section 650E of the Corporations Act.
- (h) Tomahawk may, in its sole discretion, at any time deem any Acceptance Form it receives to be a valid acceptance in respect of your K2 Energy Options even if a requirement for acceptance has not been complied with.

10.5 The Effect of Acceptance

- (a) By following the procedures described in Sections 10.4(c), 10.4(d) and 10.4(e), you will be deemed to have:
 - (i) accepted this Option Offer in respect of all of the K2 Energy Options registered in your name to which this Option Offer relates (**Purchased Options**), regardless of the number of K2 Energy Options specified in the Acceptance Form (subject however to Sections 10.3(b) and 10.3(c));
 - (ii) agreed to transfer your Purchased Options to Tomahawk;
 - (iii) authorised Tomahawk to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary:
 - (A) to make the Acceptance Form an effective acceptance of this Option Offer; and/or
 - (B) to enable registration of the transfer to Tomahawk of your Purchased Options;
 - (iv) represented and warranted to Tomahawk that Tomahawk will acquire good title to and beneficial ownership of all of your Purchased Options free from all mortgages, charges, liens, encumbrances (whether legal or equitable) and other third party interests of any kind;
 - (v) represented and warranted to Tomahawk that the making by Tomahawk to you, and your acceptance, of this Option Offer is lawful under any Foreign Law which applies to you, to the making of this Option Offer, and to your acceptance of this Option Offer;
 - (vi) agreed to indemnify Tomahawk fully in respect of any claim, demand, action, suit or proceeding made or brought against Tomahawk and any loss, cost, expense, damage or liability whatsoever suffered or incurred by Tomahawk as a result of Tomahawk not receiving from you:

- (A) any certificate(s) for your Purchased Options; or
 - (B) your Holder Identification Number or Security Holder Reference Number or in consequence of the transfer of your K2 Energy Options being registered by K2 Energy without production of your Holder Identification Number or Security Holder Reference Number;
- (vii) appointed Tomahawk or any nominee of Tomahawk as your agent and attorney to exercise all the powers and rights attaching to your Purchased Options and have agreed not to revoke that appointment during the period (**Proxy Period**) between the date of your acceptance of this Option Offer and the earlier of:
- (A) the date on which Tomahawk is registered as the holder of your Purchased Options;
 - (B) the date on which your acceptance is validly withdrawn pursuant to Section 650E of the Corporations Act; or
 - (C) the date on which the contract resulting from your acceptance becomes void under Section 650G of the Corporations Act;
- (viii) agreed that in exercising the powers conferred by the power of attorney in Section 10.5(a)(vii) above, Tomahawk or its nominee is entitled to act in the interests of Tomahawk; and
- (ix) authorised Tomahawk, as your agent and attorney, and in your name and on your behalf, to execute, at any time after your acceptance of this Option Offer, all forms, notices and instruments in respect of your K2 Energy Options, and to have agreed not to revoke that authority during the Proxy Period.
- (b) Tomahawk may at any time in its absolute discretion:
- (i) treat the receipt by it of an Acceptance Form during the Option Offer Period (or in an envelope post-marked before the expiry of the Option Offer Period) as a valid acceptance notwithstanding that one or more of the other requirements for a valid acceptance have not been complied with; and
 - (ii) where you have satisfied the requirements for acceptance in respect of only some of your Purchased Options, treat the acceptance as a valid acceptance in respect of all of your Purchased Options.

In respect of any part of an acceptance treated by it as valid, Tomahawk will provide you with the relevant consideration in accordance with Section 10.6(a), and the exercise of Tomahawk's rights under this Section 10.5(b) will be conclusively and only evidenced by its so doing. This Section is not a condition of this Option Offer.

10.6 Tomahawk's Obligations in respect of K2 Energy Options Acquired

- (a) Subject to this Option Offer, Tomahawk will provide the consideration for your K2 Energy Options not later than one month after this Option Offer is accepted or this Option Offer (or the contract resulting from its acceptance) becomes unconditional, whichever is the later, but in any event (assuming the Option Offer becomes or is declared unconditional) not later than 21 days after the end of the Option Offer Period.
- (b) Subject to Section 10.6(c), a holding statement for the Tomahawk 2009 Options to which you become entitled by accepting this Option Offer will be sent by pre-paid mail (airmail in the case of overseas K2 Energy Option holders) to your address as shown on the Acceptance Form.
- (c) If at the time of acceptance of this Option Offer you are resident in, or a resident of, a place outside Australia or its territories or New Zealand, you will not be entitled to receive any consideration pursuant to that acceptance until you obtain all requisite authorities or clearances (if any) of the Reserve Bank of Australia (whether under the Banking (Foreign Exchange) Regulations or otherwise) or the Australian Taxation Office.
- (d) Where the Acceptance Form requires an additional document to be given with your acceptance (such as a power of attorney):
 - (i) if that document is given with your acceptance, Tomahawk will provide the consideration in accordance with Section 10.6(a);
 - (ii) if that document is given after acceptance and before the end of the Option Offer Period while this Option Offer is subject to a defeating condition, Tomahawk will provide the consideration by the end of whichever of the following periods ends earlier:
 - (A) within one month after this Option Offer becomes unconditional; or
 - (B) 21 days after the end of the Option Offer Period;
 - (iii) if that document is given after acceptance and before the end of the Option Offer Period while this Option Offer is not subject to a defeating condition, Tomahawk will provide the consideration by the end of whichever of the following periods ends earlier:
 - (A) one month after that document is given; or
 - (B) 21 days after the end of the Option Offer Period; and
 - (iv) if that document is given after the end of the Option Offer Period, Tomahawk will provide the consideration within 21 days after that document is given.

10.7 Foreign K2 Energy Option holders

- (a) If you are (or are acting on behalf of) a resident in, or a resident of, a place outside Australia or its territories or New Zealand, you will be a foreign K2 Energy Option holder for the purposes of this Section 10.7.

- (b) If you are a foreign K2 Energy Option holder (as that expression is defined in Section 10.7(a), and you accept this Option Offer, Tomahawk will:
- (i) arrange for the issue to a nominee approved by the ASIC of the number of Tomahawk 2009 Options to which you and all other foreign K2 Energy Option holders would have been entitled but for Section 10.7(a);
 - (ii) cause those Tomahawk 2009 Options to be offered for sale in such manner, at such price and on such other terms and conditions as are approved by the nominee; and
 - (iii) pay to you the amount ascertained in accordance with the following formula:

$$\text{Net Proceeds of Sale} \times \frac{\text{YO}}{\text{TO}}$$

Where:

- (A) **Net Proceeds of Sale** is the amount remaining after deducting the expenses of the sale from the proceeds of sale;
- (B) **YO** is the number of Tomahawk 2009 Options which would, but for Section 10.7(a), have been allotted and issued to you; and
- (C) **TO** is the total number of Tomahawk 2009 Options allotted and issued to the nominee under this Section in respect of the K2 Energy Options held by all foreign K2 Energy Option holders.

10.8 Conditions of this Option Offer

- (a) Subject to Section 10.7(b), this Option Offer and any contract that results from acceptance of this Option Offer are each conditional on:
- (i) during, or at the end of the Option Offer Period, Tomahawk and its associates having a relevant interest in:
 - (A) at least 90% of the K2 Energy Shares then on issue; and
 - (B) at least 90% of the K2 Energy Options then on issue;
 - (ii) none of the following occurrences taking place or having taken place during the period commencing on the Bid Date (being the date of announcement of the Takeover Bid) and ending on the expiry of the Option Offer Period, it being a separate condition of this Option Offer and any resulting contract that each such occurrence not happen during that period:
 - (A) K2 Energy converting all or any of its K2 Energy Shares into a larger or smaller number of K2 Energy Shares;
 - (B) K2 Energy or a subsidiary of K2 Energy resolving to reduce its share capital in any way;

- (C) K2 Energy or a subsidiary of K2 Energy:
 - (I) entering into a buy-back agreement; or
 - (II) resolving to approve the terms of a buy-back agreement under sub-Section 257C(1) or 257D(1) of the Corporations Act;
 - (D) K2 Energy or a subsidiary of K2 Energy issuing shares or granting an option over its shares, or agreeing to make such an issue or grant such an option (other than an allotment of K2 Energy Shares upon the exercise of K2 Energy Options);
 - (E) K2 Energy or a subsidiary of K2 Energy issuing, or agreeing to issue, convertible notes;
 - (F) K2 Energy or a subsidiary of K2 Energy disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
 - (G) K2 Energy or a subsidiary of K2 Energy charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
 - (H) K2 Energy or a subsidiary of K2 Energy resolving that it be wound up;
 - (I) a liquidator or provisional liquidator of K2 Energy or a subsidiary of K2 Energy being appointed;
 - (J) a court making an order for the winding up of K2 Energy or of a subsidiary of K2 Energy;
 - (K) an administrator of K2 Energy, or of a subsidiary of K2 Energy, being appointed under Section 436A, 436B or 436C of the Corporations Act;
 - (L) K2 Energy, or a subsidiary of K2 Energy, executing a deed of company arrangement; or
 - (M) a receiver, or a receiver and manager, being appointed in relation to the whole, or a substantial part, of the property of K2 Energy or a subsidiary of K2 Energy.
- (b) Each condition in Section 10.8(a) is a separate, several and distinct condition, operates as a condition subsequent and is for the benefit of Tomahawk alone and may only be relied upon by Tomahawk.
 - (c) Tomahawk may free this Option Offer, and any contract resulting from its acceptance, from all or any of the conditions in Section 10.8(a) by giving notice to K2 Energy declaring the Option Offers to be free from the conditions specified in accordance with Section 650F of the Corporations Act. This notice may be given not later than 3 business days after the end of the Option Offer Period.

- (d) Subject to the provisions of the Corporations Act, Tomahawk alone will be entitled to the benefit of the conditions in Section 10.8(a) and any breach or non-fulfilment thereof may be relied upon only by Tomahawk.
- (e) The date for giving the notice required by Section 630(3) of the Corporations Act is 16 May 2007 2004, subject to extension in accordance with 630(2) if the Option Offer Period is extended pursuant to Section 650(C).

10.9 Withdrawal of Option Offer

Tomahawk may withdraw this Option Offer at any time before you accept it, but only with the consent in writing of the ASIC (which consent may be given subject to such conditions, if any, as are imposed by the ASIC).

10.10 Variation

Tomahawk may vary this Option Offer in accordance with Section 650D of the Corporations Act.

10.11 Stamp duty or other costs

All costs and expenses of the preparation, dispatch and circulation of this Option Offer and any stamp duty payable in respect of the transfers will be paid by Tomahawk. No brokerage is payable by you if you accept this Option Offer.

10.12 Governing Law

This Option Offer and any contract that results from your acceptance of this Option Offer are governed by the laws in force in Western Australia.

10.13 Date of Option Offer

This Option Offer is dated 23 April 2007.

11. SECTION 11 – RISK FACTORS

If the Share Offer and Option Offer become unconditional, K2 Energy Shareholders and K2 Energy Option holders who accept the Offers will become Tomahawk Shareholders, and Tomahawk will acquire an interest in K2 Energy. In those circumstances, K2 Energy Shareholders and K2 Energy Option holders will:

- (a) continue to be exposed to the risks associated to the investment in K2 Energy, through their indirect interest in K2 Energy through Tomahawk;
- (b) continue to be exposed to the general risks related to any investment in the oil and gas industry;
- (c) be exposed to the risks which are specific to an investment in Tomahawk; and
- (d) be exposed to additional risks relating to the Share Offer, the Option Offer and the Merged Entity.

These risks are explained in detail below. K2 Energy Shareholders and K2 Energy Option holders should read this Bidder's Statement carefully and consult their professional advisers before deciding whether to accept the Share Offer and/or the Option Offer. By accepting either of the Offers, K2 Energy Shareholders and K2 Energy Option holders will be investing in Tomahawk.

The business activities of Tomahawk are subject to various risks that may impact on the future performance of Tomahawk. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of Tomahawk and cannot be mitigated. Accordingly, an investment in Tomahawk carries no guarantee with respect to the payment of dividends, return of capital or price at which shares and Options will trade and should be considered speculative. There are a number of risk factors that investors should consider before deciding whether or not to invest in Shares offered pursuant to this Prospectus. The principal risk factors include, but are not limited to, the following:

11.1 Risks Specific to Tomahawk

The principal risk factors associated with Tomahawk's existing business include, but are not limited to, the following:

Reliance on key personnel

The loss of any one of more of the key operating staff of Tomahawk may have an adverse impact on the performance and prospects of Tomahawk.

Retention of key business relationships

Tomahawk relies on strategic relationships with other entities (especially with its sole operator, Metro Energy Group, Inc), and also on good relationships with regulatory and government departments. It also relies upon third parties to provide essential contracting services.

While the Directors have no reason to believe otherwise, there can be no assurance that Tomahawk's existing relationships will continue to be maintained or that new ones will be successfully formed. Tomahawk, its business, operating results and prospects could be adversely affected by changes to such relationships or difficulties in forming new ones.

11.2 Risks specific to K2 Energy

Operating Risks – Limited History

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

Competition

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

Reliance on Key Personnel

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

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

Further Capital Needs and Funding

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

11.3 General Securities Risk Factors

Share Market

There are general risks associated with any investment and the share market. The price of Shares may rise and fall depending on a range of actors beyond Tomahawk's control and which are unrelated to Tomahawk's financial performance. These factors may include movements on international stock markets, interest rates and exchange rates, together with domestic and international economic conditions, inflation rates, commodity supply and demand, government taxation and royalties, war, global hostilities and acts of terrorism.

Liquidity Risk

There is no guarantee that there will be an ongoing liquid market for Tomahawk Shares. Accordingly, there is a risk that, should the market for Tomahawk Shares become illiquid, Tomahawk Shareholders will be unable to realise their investment in Tomahawk.

11.4 General risks relating to the oil and gas industry

Oil and Gas Price Fluctuations

The price for oil and gas will depend on available markets at acceptable prices and transmission and distribution costs. Any substantial decline in the prices of oil and gas or an increase in transmission or distribution costs could have a material adverse effect on Tomahawk, K2 Energy and the Merged Entity.

Economic Factors

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market prices. Tomahawk's and K2 Energy's future possible profitability and the market price of its quoted securities can be affected by these factors which are beyond the control of Tomahawk, K2 Energy and their directors.

Exploration and Production

The future profitability of Tomahawk, K2 Energy or the Merged Entity and the value of their securities is directly related to the results of exploration. There are inherent risks in exploration activities. No assurances can be given that funds spent on exploration will result in discoveries that will be commercially viable.

Drilling

Drilling activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of rigs and/or other equipment.

Operating

Industry operating risks include fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. The occurrence of any of these risks could result in substantial losses to Tomahawk due to injury or loss of life; damage to or destruction of property, natural resources, or equipment; pollution or together environmental damage, cleanup responsibilities, regulatory investigation; penalties or suspension of operations. Damages occurring to third parties as a result of such risks may give rise to claims against the company.

Environmental Risks

Oil and gas exploration, development and production can be potentially environmentally hazardous giving rise to substantial costs for environmental rehabilitation, damage control, and losses.

Both Tomahawk and K2 Energy are subject to the United State's laws and regulations concerning the environment. While both companies seek to conduct their activities to the highest standard of environmental obligation, including compliance with all environmental laws, there are however certain risks inherent in oil and gas activities such as accidental leakages or spills, or other unforeseen circumstances, which could subject either of the companies, or the Merged Entity, to extensive liability.

Government Actions

The impact of actions by governments (especially the United States or Australia) may affect Tomahawk's or K2 Energy's activities including such matters as access to lands and infrastructure, compliance with environmental regulations, taxation and royalties. Changes to government policies in relation to these matters may affect future earnings for either company, or the relative attractiveness of investing in either Tomahawk or K2 Energy.

Commercialisation

Even if Tomahawk or the Merged Entity recovers potentially commercial quantities of oil or gas, there is no guarantee that Tomahawk will be able to successfully transport the oil or gas to commercially viable markets or sell the oil or gas to customers to achieve a commercial return.

Insurance

Insurance of all risks associated with oil and gas exploration and production is not always available and, where available, the cost can be high. Tomahawk will have insurance in place considered appropriate for Tomahawk's needs. Tomahawk will not be insured against all possible losses, whether because of the unavailability of cover or because the premiums may be excessive relative to the benefits that would accrue. All insurance relating to the joint venture activities will be effected through the operators of the joint ventures. The Directors will continue to review the insurance cover in place for the joint ventures to ensure that it is adequate and to ascertain whether Tomahawk should take out its own insurance to further protect its interest in the joint ventures.

Joint Venture

Tomahawk may become a party to joint venture operating agreements. Under these agreements, Tomahawk may be voted into programmes and budgets which it does not necessarily agree with or have the cash resources to fund. It may also be required to contribute to any increases in capital expenditure requirements and/or operating costs. Furthermore, the situation could arise where any or all of the joint venture parties are unable to fund their pro rata contributions to expenditure, in which case Tomahawk may have to make increased contributions to ensure that the program succeeds.

Adequacy of Capital and Capital Raising

Tomahawk is likely to raise additional capital in order to fund the drilling programmes by the issue of securities. This would have the effect of diluting the security holdings of existing security holders. There is no guarantee that acceptable sources of funds will be found in the future. A lack of capital could have a material adverse effect on Tomahawk and its prospects.

Financial Default

The financial failure by any participant in a joint venture (or contractor) to which Tomahawk is a party may have a significant and adverse impact on Tomahawk.

Regulatory Approvals

Tomahawk will require government regulatory approvals for its operations and facilities installations. This may from time to time affect timing and scope of work to be undertaken.

Access

Tomahawk, in order to conduct its exploration programmes, may require approval from government and non-government bodies to facilitate access to blocks and tenements in which it has an interest.

Exchange Rate

Tomahawk's and K2 Energy's main business undertakings are based in the United States. Accordingly, revenues, cash flows, expenses, capital expenditure and commitments are primarily denominated in United State's dollars. This results in the income, expenditure and cash flows of the entities being exposed to fluctuations and volatilities in exchange rates, as determined in international markets.

For example, drilling obligations for both Tomahawk and K2 Energy are payable in US currency. To the extent that there are unfavourable movements in the exchange rate, Tomahawk's and K2 Energy's obligations expressed in Australian currency would increase.

Oil and gas revenues for both companies are also earned in US currency and, consequently, exchange rate fluctuations will also impact on any future earnings for either Tomahawk or K2 Energy.

Taxation

Profits arising from the discovery and commercialisation of oil and gas fields will be subject to US taxation. The tax treatment could vary significantly from that applied in Australia.

Legal Title of Prospects

The process of confirming legal title to a prospect is an ongoing task. The Technical Consultant finalises this task of title confirmation immediately prior to the commencement of drilling a well. In the event that, at that time, clear title cannot be determined then drilling on a prospect would be delayed or halted indefinitely.

ASX Share Investment Risk

There are various risks associated with investing in any form of business and with investing in the stock market generally. The value of Tomahawk Shares and Tomahawk 2009 Options will depend upon general stock market and economic conditions as well as the specific performance of Tomahawk. There is no guarantee of profitability, dividends, return of capital, or the price at which the Tomahawk Shares and Tomahawk 2009 Options will trade on ASX after completion of the Takeover Bid.

11.5 Risks Relating to the Share Offer, the Option Offer and the Merged Entity

Issue of Tomahawk Shares and Tomahawk 2009 Options as consideration

K2 Energy Shareholders and K2 Energy Option holders are being offered specific quantities of Tomahawk Shares and Tomahawk 2009 Options as consideration under the Offers. As a result, the value of the consideration will fluctuate depending upon the market value of Tomahawk Shares and Tomahawk 2009 Options. For example, the market price of Tomahawk Shares has fluctuated in the previous 6 months between a high of \$0.405 and a low of \$0.220 per Tomahawk Share.

Change in control risk

As the Offers are likely to result in a change in control of K2 Energy, there may be adverse consequences for the combined entity. For example, the terms of the contracts to which K2 Energy is a party may entitle the other party to the contract to terminate the contract or revise its term in the event of a change of control of K2 Energy.

Failure to obtain ASX consent to removal of holding lock

As noted in Section 5.5 of this Bidder's Statement, a number of the K2 Energy Shares and K2 Energy Options are restricted securities for the purposes of the ASX Listing Rules.

Accordingly, to enable the holders of these restricted securities to accept the Offers and transfer their securities to Tomahawk, Tomahawk must obtain approval from ASX for the removal of the holding locks from the restricted securities. ASX will only grant such approval upon the fulfilment of certain conditions.

Acquisition of less than 100% of K2 Energy Shares

The Offers are conditional upon Tomahawk obtaining a relevant interest in 90% of the K2 Energy Shares and K2 Energy Options, which will entitle Tomahawk to proceed to compulsorily acquire all of the issued capital in K2 Energy.

Whilst Tomahawk has no present intention to waive this condition, it is possible that Tomahawk could acquire less than 100% of the K2 Energy Shares under the Share Offer. The existence of a minority interest in K2 Energy may have an impact on the operations of Merged Entity, although this impact will depend upon the ultimate level of K2 Energy ownership acquired by Tomahawk.

The following specific risks may arise where Tomahawk acquires less than 100% of the K2 Energy Shares:

- (a) **(Scrip for scrip rollover relief unavailable)**: scrip for scrip relief will not be available if Tomahawk acquires less than 80% of the K2 Energy Shares and K2 Energy Options on issue, and accordingly, K2 Energy Shareholders and K2 Energy Option holders may incur a CGT liability. Further details on the taxation implications of the Share Offer and Option Offer are set out in Section 8 of this Bidder's Statement;
- (b) **(Restrictions on benefits from K2 Energy)**: as outlined in Section 3 of this Bidder's Statement, it is Tomahawk's intention upon successfully acquiring K2 Energy to use the cash reserves currently held by K2 Energy to fund increased operations and production in the Merged Entity's oil

and gas reserves. Should this involve the provision of a benefit from K2 Energy to Tomahawk, K2 Energy may be required to obtain shareholder approval for the benefit. In this case, Tomahawk would be excluded from voting in relation to the provision of the benefit, as it would be a related party of K2 Energy. Accordingly, there is a risk that the minority shareholders of K2 Energy may refuse to approve the provision of cash funding from K2 Energy to Tomahawk, thereby preventing Tomahawk from implementing the intentions outlined above; and

- (c) **(Risks to minority K2 Energy Shareholders)** if Tomahawk acquires a significant controlling interest in K2 Energy without being entitled to proceed to compulsorily acquire the outstanding K2 Energy Shares and K2 Energy Options, K2 Energy Shareholders and Option holders who do not accept the Offers may become a “locked-in” minority. In addition, the market for K2 Energy Shares and K2 Energy Options may become illiquid should Tomahawk determine that it does not wish to acquire additional K2 Energy Shares or K2 Energy Options after the expiry of the Offer Periods.

Limited due diligence

In preparing the information relating to K2 Energy contained in this Bidder's Statement, Tomahawk has relied on publicly available information relating to K2 Energy, and upon information provided to Tomahawk by the directors of K2 Energy. Accordingly, as only limited independent due diligence has been carried out on K2 Energy, risks may exist in relation to K2 Energy (which will affect the Merged Entity) of which Tomahawk is unaware. If any material risks are known to the directors of K2 Energy, they must be disclosed in the Target's Statement to be issued by K2 Energy.

12. SECTION 12 – OTHER INFORMATION

12.1 Tomahawk's Interest in K2 Energy

At the date of this Bidder's Statement, there are 86,000,000 K2 Energy Shares on issue and 56,000,000 K2 Energy Options on issue. Please refer to Section 5.5 of this Bidder's Statement for details on the K2 Energy Options.

Immediately before this Bidder's Statement was lodged with the ASIC and as at the date immediately before the first Offer is sent, Tomahawk and its associates had the following relevant interest in, and voting power in relation to, K2 Energy securities:

Class of Securities	Total Number in Class	Number in which relevant interest held – lodgement at the ASIC	Number in which relevant interest held – first Offer
K2 Energy Shares	Nil	Nil	Nil
K2 Energy Options	Nil	Nil	Nil

Tomahawk's voting power in K2 Energy as at the date of this Bidder's Statement was nil.

Tomahawk's voting power in K2 Energy as at the date immediately before the first Offer was sent was nil.

12.2 Collateral Benefits

During the period of 4 months before the date of this Bidder's Statement, neither Tomahawk nor any associate of Tomahawk gave, or offered to give or agreed to give, a benefit to another person that was likely to induce the other person, or an associate of that person, to:

- (a) accept the Offers; or
- (b) dispose of their K2 Energy Shares; or
- (c) dispose of their K2 Energy Options,

and which is not offered to all holders of K2 Energy Shares and/or K2 Energy Options under the Takeover Offers.

12.3 Further details to be included in the Offers

The expiry dates of the Share Offer and Option Offer are set out in Sections 9.2 and 10.2 of this Bidder's Statement respectively (which contain details of the Offers).

Each Share Offer and Option Offer will bear the same date, being a date that is not more than 3 days before the date on which the Share Offer or Option Offer is dispatched to holders of K2 Energy Shares and K2 Energy Options.

12.4 Tomahawk is a Disclosing Entity

Due to the fact that Tomahawk is offering Tomahawk Shares and Tomahawk 2009 Options as consideration for the acquisition of K2 Energy Shares and K2 Energy Options, the Corporations Act requires that this Bidder's Statement must include all information that would be required for a prospectus for an offer of Tomahawk Shares and Tomahawk 2009 Options under Sections 710 to 713 of the Corporations Act.

Tomahawk is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, Tomahawk is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of Tomahawk's securities.

The Tomahawk Shares that will be issued pursuant to this Bidder's Statement have been quoted on the official list of ASX during the 12 months prior to the date of this Bidder's Statement. For this reason, Tomahawk is only required to disclose information in this Bidder's Statement that would usually be required in a "transaction specific prospectus".

In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of securities on Tomahawk and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company unless such information has not previously been disclosed to ASX.

Having taken such precautions and having made such enquiries as are reasonable, Tomahawk believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Bidder's Statement which required Tomahawk to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Bidder's Statement other than that which is considered necessary to make this Bidder's Statement complete.

Tomahawk, as a disclosing entity under the Corporations Act, states that:

- (i) it is subject to regular reporting and disclosure obligations;
- (j) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (k) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Bidder's Statement and the Closing Date:
 - (i) the annual financial report most recently lodged by Tomahawk with the ASIC;

- (ii) any half year financial report lodged with the ASIC by Tomahawk after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Bidder's Statement with the ASIC; and
- (iii) any documents used to notify ASX of information relating to Tomahawk during that period in accordance with ASX Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to Tomahawk can be inspected at the registered office of Tomahawk during normal office hours.

For details of documents lodged with ASX since the date of lodgement of Tomahawk's latest annual financial report refer to Annexure "A".

12.5 Litigation

As at the date of this Bidder's Statement, Tomahawk is not involved in any material legal proceedings and the Tomahawk directors are not aware of any legal proceedings pending or threatened against Tomahawk.

12.6 No other material information

Except as set out in this Bidder's Statement, there is no other information material to the making of a decision by an offeree whether or not to accept an Offer, being information that is known to Tomahawk and has not previously been disclosed to the holders of K2 Energy Shares or K2 Energy Options.

12.7 Market Price of Tomahawk Shares and Tomahawk 2009 Options

As noted above, Tomahawk is a disclosing entity for the purposes of the Corporations Act and the Tomahawk Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Tomahawk Shares on ASX during the 4 months immediately preceding the date of lodgement of this Bidder's Statement with the ASIC and the respective dates of those sales were:

Highest: \$0.360 on 1 December 2006.

Lowest: \$0.260 on 16 and 23 March 2007.

The latest available closing sale price of the Tomahawk Shares on ASX prior to the lodgement of this Bidder's Statement with the ASIC was \$0.25 per Tomahawk Share on 4 April 2007.

There are currently no Tomahawk 2009 Options on issue. However, there are a number of Tomahawk 2008 Options listed on ASX with the same terms as the Tomahawk 2009 Options, with the exception of the option expiry date, which is 30 September 2009 (the option expiry date for the Tomahawk 2008 Options is 31 December 2008). The fact that the Tomahawk 2009 Options have a longer period of exercise would, on ordinary valuation principles, result in them having a greater value than the Tomahawk 2008 Options. The highest and lowest market sale prices of the Tomahawk 2008 Options on ASX during the 4 months immediately preceding the date of lodgement of this Bidder's Statement with the ASIC and the respective dates of those sales were:

Highest: \$0.185 on 1 December 2006.

Lowest: \$0.090 on 28 February 2007.

The latest available closing sale price of the Tomahawk 2008 Options on ASX prior to the lodgement of this Bidder's Statement with the ASIC was \$0.086 per Tomahawk 2008 Option on 4 April 2007.

12.8 Information about Tomahawk Shares

The Tomahawk Shares to be issued pursuant to the Share Offer will, from their date of issue, rank equally in all respects with existing Tomahawk Shares on issue. The rights attaching to the Shares arise from a combination of Tomahawk's Constitution, statute and general law. A summary of the rights attaching to the Tomahawk Shares is set out below:

(a) *Share Capital*

The share capital in Tomahawk consists of ordinary shares. All existing issued Tomahawk Shares are of the same class and rank equally in all respects.

(b) *Voting Rights*

Subject to any rights for the time being attached to any class or classes of shares and provided no amount due and payable in respect of a call is unpaid, at present there are no partly paid shares or unpaid calls, and at a general meeting of Tomahawk every holder of shares present in person or by proxy, attorney or representative has on a show of hands one vote, and on a poll one vote, per share.

(c) *Dividend Rights*

Subject to the rights of holders of shares issued with any special preferential or qualified rights, the profits of Tomahawk which the directors of Tomahawk may from time to time determine to distribute by way of dividend will be declared and paid according to amounts paid or credited as paid on the shares in respect of which the dividend is paid.

(d) *Rights on Winding-up*

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among members in kind the whole or any part of the property of the Company and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the members or different classes of members.

Subject to the rights of holders of shares with special rights on a winding-up, all monies and property that are to be distributed among members shall be distributed in proportion to the shares held by them respectively, irrespective of the amount paid-up or credited as paid up on the shares.

(e) *Transfer of Shares*

Subject to Tomahawk's Constitution and the Corporations Act, Tomahawk's shares are freely transferable.

(f) *Creation and Issue of Further Shares*

The allotment and issue of any new shares is at the discretion of the Board of Tomahawk. Subject to any restrictions on the allotment of shares imposed by Tomahawk's Constitution, the Corporations Act and the Listing Rules, the Board of Tomahawk may issue those new shares on such terms and conditions, and with rights and privileges, as the Board of Tomahawk from time to time may determine.

(g) *Variation of Rights*

At present Tomahawk has only ordinary shares on issue. If shares of another class are issued, the rights, privileges and restrictions attaching to the shares may be altered with the sanction of a special resolution passed at a separate general meeting of the shareholders of the shares, or with the written consent of at least three quarters of the shareholders of the shares.

(h) *General Meetings*

Each holder of shares is entitled to receive notice of, and to attend and vote at, general meetings of Tomahawk and to receive all notices, accounts and other documents required to be furnished to shareholders under Tomahawk's Constitution, the Corporations Act or the Listing Rules.

(i) *Buy Back*

Tomahawk may buy shares in itself in accordance with the Corporations Act on the terms and at the times determined by the Board.

(j) *Calls on Shares*

Where shares are issued as partly paid (at present there are none) the Directors of Tomahawk may make calls upon the holders of those shares to pay the whole of or a portion of the balance of the issue price. If a shareholder fails to pay a call or instalment of a call, then subject to the Corporations Act and the Listing Rules the shares in respect of the call may be forfeited in accordance with Tomahawk's Constitution.

Tomahawk Shares are quoted on ASX.

12.9 Information about Tomahawk 2009 Options

There are currently no Tomahawk 2009 Options on issue. The terms and conditions of the Tomahawk 2009 Options are set out below:

- (a) each Tomahawk 2009 Option entitles the holder to one Tomahawk Share;
- (b) the Tomahawk 2009 Options are exercisable at any time on or prior to 5:00pm (WST) on 30 September 2009 by completing an option exercise form and delivering it together with the payment for the number of Tomahawk Shares in respect of which the Tomahawk 2009 Options are exercised to the registered office of Tomahawk;
- (c) the Tomahawk 2009 Option exercise price is \$0.20 per Tomahawk 2009 Option;

- (d) a Tomahawk 2009 Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Tomahawk 2009 Option can be exercised;
- (e) subject to Tomahawk's Constitution and the Corporations Act, the Tomahawk 2009 Options are transferable;
- (f) all of the Tomahawk Shares issued upon exercise of the Tomahawk 2009 Options will rank pari passu in all respects with the currently issued Tomahawk Shares;
- (g) there are no participating rights or entitlements in the Tomahawk 2009 Options, and holders will not be entitled to participate in new issues of capital offered to Tomahawk Shareholders during the currency of the Tomahawk 2009 Options. However, Tomahawk will ensure that for the purposes of determining entitlements to any such issue, the book's closing date will be at least 10 business days after the issue is announced. This will give Tomahawk 2009 Option holders the opportunity to exercise their Tomahawk 2009 Options prior to the date for determining entitlements to participate in any such issue; and
- (h) if at any time the issued capital is reconstructed, all rights of an Tomahawk 2009 Option holder are to be changed in a manner consistent with the Listing Rules (if applicable) and, in any case, in a manner which will not result in any benefits being conferred on Tomahawk 2009 Option holders which are not conferred on Tomahawk Shareholders.

12.10 Fees and benefits payable to Directors and Advisers

Other than as set out below or elsewhere in this Bidder's Statement, no:

- (a) director or proposed director of Tomahawk;
- (b) person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- (c) promoter of Tomahawk; or
- (d) broker or underwriter in relation to the Issue,

has, or had within 2 years before the date of this Bidder's Statement, any interest in:

- (e) the formation or promotion of Tomahawk;
- (f) any property acquired or proposed to be acquired by Tomahawk in connection with its formation or promotion or in connection with the Issue; or
- (g) the issue of Tomahawk Shares and/or Tomahawk 2009 Options under this Bidder's Statement,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a director or expert of Tomahawk or otherwise for services rendered by him in connection with the formation or promotion of

Tomahawk or the issue of Tomahawk Shares and/or Tomahawk 2009 Options under this Bidder's Statement.

The directors of Tomahawk have the following interests in Tomahawk securities (either held directly, held by entities controlled by them or held by entities of which they are directors):

Director	Tomahawk Shares	Tomahawk 2008 Options	Unlisted Options to acquire Tomahawk Shares¹
Mr Tony Brennan	2,625,835	560,000	850,000
Mr Garry Ralston	695,000	385,000	250,000
Mr Frank Brophy	26,000	Nil	400,000
Mr Bob Rosenthal	Nil	Nil	500,000

Note 1: These options will expire when the director retires unless exercised before that date. Tomahawk understands that Mr Brennan and Mr Ralston intend to retire upon the satisfaction of the minimum acceptance conditions in relation to the Offers, and the Offers becoming unconditional. Therefore, unless exercised prior to retiring, the options of these directors will lapse as has been the case when directors previously retired.

The Constitution of the Company provides that the Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. In the last two financial years, \$339,775 (including \$105,000 ascribed to the value of options issued to Directors) in 2006 and \$125,442 in 2007 has been paid by the Company by way of remuneration for services provided by the Directors, companies associated with the Directors or their associates in their capacity as directors. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

Steinepreis Paganin has acted as the legal advisers to Tomahawk in relation to the Takeover Bid. Tomahawk estimates it will pay Steinepreis Paganin approximately \$45,000 for these services. During the 24 months preceding the date of this Bidder's Statement, Steinepreis Paganin has acted as legal advisers to Tomahawk and has received \$115,919.03 for these services.

Equatorial Partners Limited has acted as an adviser to Tomahawk in relation to corporate development opportunities which includes the Takeover Bid. Tomahawk will pay Equatorial Partners Limited a success fee of \$500,000 for this service, subject to the successful completion of the Takeover Bid. This success fee is comprised of \$250,000 in cash, and \$250,000 worth of Tomahawk Shares at an issue price being the Tomahawk Share price on the date Tomahawk reaches 90% acceptance of the Offers or waives the conditions of the Offers. During the 24 months preceding the date of this Bidder's Statement, Equatorial Partners Limited has provided professional services to Tomahawk and has received \$20,512 for these services.

12.11 Consents

In accordance with Section 636(3) of the Corporations Act, certain parties have consented to being named in this Bidder's Statement as set out below.

Equatorial Partners Limited has consented to be named as an adviser to Tomahawk, and has not withdrawn its consent prior to the lodgement of this Bidder's Statement with the ASIC.

Steinepreis Paganin has consented to being named as legal advisers to Tomahawk, and has not withdrawn its consent prior to the lodgement of this Bidder's Statement with the ASIC.

Stantons International has consented to be named as the auditor to Tomahawk, and to the use of the audit reviewed consolidated financial statements for the half-year ended 31 December 2006 in Section 7, in the form and context in which they appear, and has not withdrawn its consent prior to the lodgement of this Bidder's Statement with the ASIC.

Advanced Share Registry Services Pty Ltd has consented to being named as the share registry to Tomahawk, and has not withdrawn its consent prior to lodgement of this Bidder's Statement with the ASIC.

The parties referred to in this Section do not make any statement in this Bidder's Statement, nor is any statement in it based on any statement made by these parties. To the maximum extent permitted by law, these parties expressly disclaim and take no responsibility for any material in, or omission from, this Bidder's Statement other than as set out in this Section.

12.12 Date for Determining Holders

For the purposes of Section 633(2) of the Corporations Act, the date for determining the people to whom information is to be sent under Items 6 and 12 of Section 633(1) of the Corporations Act is 19 April 2007.

This Bidder's Statement is dated 5 April 2007 and was approved pursuant to a resolution passed unanimously at a meeting of directors of Tomahawk held on 5 April 2007 and in accordance with its Constitution.

Signed for and on behalf of
Tomahawk Energy Limited

TONY BRENNAN
DIRECTOR
TOMAHAWK ENERGY LIMITED

13. SECTION 13– DEFINITIONS AND INTERPRETATION

13.1 In this Bidder's Statement (including its annexures), unless the context otherwise requires:

Acceptance Form means the form of acceptance for the Share Offer Acceptance Form and/or the Option Offer Acceptance Form (as the context requires) enclosed with this Bidder's Statement.

Announcements means the announcements made by Tomahawk to ASX set out in Annexure "A".

ASIC means the Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532), the body which administers the CHES system.

ASTC Settlement Rules means the business rules of ASTC.

ASX means ASX Limited (ABN 98 008 624 691).

Bcf means billion cubic feet.

Bid Period has the meaning given to that term in the Corporations Act.

Bidder's Statement means this Bidder's Statement.

Broker means a person who is a sharebroker and a participant under the ASTC Settlement Rules.

CHES means the Clearing House Electronic Subregister System which provides for electronic share transfers in Australia.

CHES Holding has the meaning given to that term in the ASTC Settlement Rules.

Controlling Participant means a Broker or Non-Broker Participant who is designated as the controlling participant for shares in a CHES Holding in accordance with the ASTC Settlement Rules.

Corporations Act means Commonwealth Corporations Act 2001 (Cth).

Director means a director of Tomahawk.

Discount Capital Gain means generally a capital gain derived by an individual, trust or complying superannuation fund from the disposal of an asset that has been held for at least 12 months. For individuals and trusts the amount of the discount capital gain they may need to include in assessable income is 50% of the net capital gain after applying current and prior year capital losses. For superannuation funds only two-thirds of the discount capital gain may need to be included in assessable income after applying current and prior year capital losses.

Foreign Law means a law of a jurisdiction other than Australia.

Issue means the issue of Tomahawk Shares and Tomahawk 2009 Options pursuant to the Takeover Offers.

Issuer Sponsored Holding means a holding of K2 Energy Shares and/or K2 Energy Options on K2 Energy's issuer sponsored subregister.

K2 Energy means K2 Energy Limited (ABN 19 115 310 560).

K2 Energy Option means an option to subscribe for a K2 Energy Share with an exercise price and an expiry date as set out in Section 5.5 of this Bidder's Statement.

K2 Energy Option holder means a holder of K2 Energy Options.

K2 Energy Share means a fully paid ordinary share in K2 Energy, and all Rights attaching to that share.

K2 Energy Shareholder means a holder of K2 Energy Shares who is able to accept the Offer.

Listing Rules means the Official Listing Rules of ASX, as amended from time to time.

Merged Entity means Tomahawk and its subsidiaries following the acquisition by Tomahawk of all, or a majority of the K2 Energy Shares.

MMcf means million cubic feet.

Non-Broker Participant means a non-broker participant under the ASTC Settlement Rules.

Offer Periods means the Share Offer Period and the Option Offer Period and **Offer Period** means either of those periods (as the context requires).

Offers or **Takeover Offers** means the Share Offer and the Option Offer and **Offer** or **Takeover Offer** means any one of those offers (as the context requires).

Official List means the official list of entities that ASX has admitted and not removed.

Official Quotation means official quotation on ASX.

Option Offer Acceptance Form means the form of acceptance in relation to the Option Offer which is enclosed with this Bidder's Statement.

Option Offers means the offers, referred to in Section 1, to be made by Tomahawk to acquire K2 Energy Options on the terms of set out in Section 10 of this Bidder's Statement, and **Option Offer** means any one of those offers.

Option Offer Period means the period referred to in Section 10.2.

Rights means all accretions to and rights attaching to the relevant K2 Energy Share or at or after the date of this Bidder's Statement (including, but not limited to, all dividends and all rights to receive dividends and to receive or subscribe for shares, stock units, notes or options declared, paid, or issued by K2 Energy).

Share Offer Acceptance Form means the form of acceptance in relation to the Share Offer which is enclosed with this Bidder's Statement.

Share Offers means the offers, referred to in Section 1, to be made by Tomahawk to acquire K2 Energy Shares on the terms set out in Section 9 of this Bidder's Statement, and **Share Offer** means any one of those offers.

Share Offer Period means the period referred to in Section 9.2.

Takeover Bid means Tomahawk's takeover bid for K2 Energy by making the Offers.

Tomahawk or **Company** means Tomahawk Energy Limited (ABN 99 106 609 143).

Tomahawk 2008 Option means a listed option to acquire a Tomahawk Share, having an exercise price of 20 cents per Tomahawk 2008 Option, and an expiry date of 31 December 2008.

Tomahawk 2009 Option means an option to acquire a Tomahawk Share, having an exercise price and expiry date as set out in Section 12.9 of this Bidder's Statement.

Tomahawk Share means a fully paid ordinary share in Tomahawk.

WST means Australian Western Standard Time.

\$ means Australian dollars.

- 13.2** Words and phrases have the same meaning (if any) as is given to them by the Corporations Act.
- 13.3** Words importing one gender include the other genders.
- 13.4** Words (including defined terms) importing the plural include the singular and vice versa.
- 13.5** A reference to a person includes a reference to a corporation.
- 13.6** Headings are for ease of reference only and do not affect the interpretation of this Bidder's Statement.
- 13.7** References to Sections are to sections of this Bidder's Statement.
- 13.8** Annexures and appendices to this Bidder's Statement form part of the Bidder's Statement.
- 13.9** All references to time in this Bidder's Statement are to Australian Western Standard Time (WST).

ANNEXURE "A"**TOMAHAWK'S ASX ANNOUNCEMENTS SINCE 31 OCTOBER 2006**

Date Lodged	Description of Document
29/03/2007	KTO ann: Merger Update
29/03/2007	K2 Energy to Merge with Tomahawk – Revised Terms
16/03/2007	Half Year Accounts
23/02/2007	Tomahawk to Merge with K2 Energy Limited
23/02/2007	KTO ann: Merger K2 Energy Ltd with Tomahawk Energy Limited
31/01/2007	Second Quarter Activities & Cashflow Report
24/01/2007	Corporate Transaction Update
23/01/2007	Reinstatement to Official Quotation
23/01/2007	Request for Suspension
23/01/2007	Suspension from Official Quotation
19/01/2007	Company Request for Trading Halt
18/01/2007	Trading Halt
30/11/2006	Results of AGM 2006
30/11/2006	Schlumberger quantifies significant conventional gas res
08/11/2006	Response to ASX Share Price Query
31/10/2006	Annual Report 2006

ANNEXURE "B"

TOMAHAWK TAKEOVER ANNOUNCEMENT



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 Periods, 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 Periods.

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 three 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 "C"**K2 ENERGY'S ASX ANNOUNCEMENTS SINCE 15 NOVEMBER 2006**

Date Lodged	Description of Document
29/03/2007	Merger Update
29/03/2007	K2 Energy to Merge with Tomahawk – Revised Terms
21/03/2007	Project Update
16/03/2007	Half Yearly Report & Half Year Accounts
23/02/2007	THK ann: Tomahawk to Merge with K2 Energy Limited
23/02/2007	Merger K2 Energy Limited with Tomahawk Energy Limited
23/02/2007	Trading Halt
31/01/2007	Second Quarter Cashflow Report
31/01/2007	Second Quarter Activities Report
24/01/2007	Reinstatement to Official Quotation
23/01/2007	Suspension from Official Quotation
19/01/2007	Trading Halt
30/11/2006	Results of AGM
21/11/2006	Project Update
16/11/2006	Becoming a substantial holder
16/11/2006	Initial Director's Interest Notice
16/11/2006	Initial Director's Interest Notice
16/11/2006	Initial Director's Interest Notice
16/11/2006	Initial Director's Interest Notice
16/11/2006	Initial Director's Interest Notice
16/11/2006	Initial Director's Interest Notice
15/11/2006	Appendix 1A - ASX Listing application & agreement
15/11/2006	Constitution
15/11/2006	Terms of Options
15/11/2006	Annual Report 2006

ANNEXURE "D"

K2 ENERGY TAKEOVER ANNOUNCEMENT

K2 ENERGY LIMITED

A.C.N. 115 310 560

Level 2, Kyle House
27 Macquarie Place
Sydney NSW 2000

Tel: 9251 3311
Fax: 9251 6550

ASX/Media Release

23 February 2007

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

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.

ACCEPTANCE FORM

1. FORM OF ACCEPTANCE AND TRANSFER FOR FULLY PAID SHARES

Offer by Tomahawk Energy Limited (ABN 99 106 609 143) (Tomahawk) to acquire 100% of your fully paid ordinary shares in K2 Energy Limited (ABN 19 115 310 560) (K2 Energy). Your acceptance must be received by no later than 5pm Australian Western Standard Time on 23 May 2007 (unless the Offer is extended).

<p>Shareholder Details</p>

<p>Number of K2 Energy Fully Paid Shares you hold</p>	
<p>Holder Identification Number /Security holder Reference Number</p>	
<p>Securities Subregister</p>	

If any of the above details are incorrect, please amend them and initial the alterations. You should read the Bidder's Statement which accompanies this form. To accept the Offer contained in that document, complete this form below.

If your shares are held on the Issuer Sponsored Subregister, please read Section 1 overleaf and then complete this page and return this form.

If your shares are held on the CHESSE Subregister, please read Section 1 overleaf then you can accept this Offer by either instructing your broker to accept the Offer on your behalf, or by completing this page and Section 2 overleaf and returning the form.

Number of K2 Energy Shares you hold is

Number of K2 Energy Shares which you wish to sell to Tomahawk (being 100% of the number of K2 Energy Shares you hold) is

Consideration for K2 Energy Shares which you wish to sell to Tomahawk (on the basis of six (6) Tomahawk Share for every ten (10) K2 Energy Shares) is

Foreign Shareholders

Please tick the following box if you are a foreign shareholder and require Tomahawk to deal with your acceptance and any Tomahawk Shares to which you would otherwise be entitled.

Signature(s)

I/We, the person(s) named above, being the holder(s) of the K2 Energy Shares shown above accept the Share Offer in respect of the number of my/our K2 Energy Shares shown above and hereby agree to transfer to Tomahawk those K2 Energy Shares for the consideration specified above and agree to be bound by the terms and conditions of the Offer. If this form is signed under Power of Attorney, the Attorney declares that he has no notice of revocation of that power.

Individuals and joint holders

Companies (affix common seal if appropriate)

<p>SIGNATURE</p>

<p>DIRECTOR</p>

<p>SIGNATURE</p>

<p>DIRECTOR/COMPANY SECRETARY</p>

<p>SIGNATURE</p>

<p>SOLE DIRECTOR AND COMPANY SECRETARY</p>
--



Name and contact number of at least one signatory: _____

Dated / /2007

2. HOW TO ACCEPT THE SHARE OFFER

THIS IS AN IMPORTANT DOCUMENT. IF YOU ARE IN DOUBT AS TO HOW TO COMPLETE THIS FORM PLEASE CONSULT YOUR BROKER OR FINANCIAL ADVISER IMMEDIATELY.

Your acceptance must be received by no later than 5pm Australian Western Standard Time on 23 May 2007 (unless the Share Offer is extended).

1

Instructions for all holders

To accept the Offer you should complete, sign and date the form on the reverse side.

Please note:

(a) Joint Holders

All joint holders must sign this form.

(b) Corporations

This form must be signed by the authorised officers of the corporation and sealed (if required by, and in accordance with, the corporation's constitution), or a duly appointed attorney.

(c) Power of Attorney and Deceased Estates

If this form is signed under power of attorney, or by the executors of a deceased estate, or by the administrators, the relevant power of attorney, probate or letters of administration, together with any other documents required by law, must be attached.

Shareholders should mail or deliver their completed form to:

Mailing Address:

Tomahawk Energy Limited
C/- Advanced Share Registry Services Pty Ltd
GPO Box 1156
NEDLANDS WA 6909

Delivery Address:

Tomahawk Energy Limited
C/- Advanced Share Registry Services Pty Ltd
110 Stirling Highway
NEDLANDS WA 6009

A pre-paid envelope has been enclosed for shareholders with Australian addresses.

Overseas shareholders are urged to return their completed form by airmail.

2

Additional instructions for CHESSE holders

To accept the Offer you should:

(a) Call your broker and instruct them to accept the Offer, or

(b) Complete and sign the Acceptance Form on the reverse side and complete the following details, sign below, and mail this form in the pre-paid envelope provided or fax it to the above fax number.

Name of your Controlling Participant (broker): _____

I/We request and authorise you to instruct my/our Controlling Participant (broker) to accept the Share Offer in respect of those shares indicated on the Acceptance Form.

Signature: _____

If you have any queries concerning your shareholding or need help in completing this form please contact Advanced Share Registry Services Pty Ltd on (08) 9389 8033.

ACCEPTANCE FORM FOR OPTION OFFER

FORM OF ACCEPTANCE AND TRANSFER FOR K2 ENERGY OPTIONS

Offer by Tomahawk Energy Limited (ABN 99 106 609 143) (Tomahawk) to acquire 100% of your K2 Energy Options. Your acceptance must be received by no later than 5pm Australian Western Standard Time on 23 May 2007 (unless the Option Offer is extended).

<p>Optionholder Details</p>

<p>Number of K2 Energy Options you hold</p>	
<p>Holder Identification Number /Security holder Reference Number</p>	
<p>Securities Subregister</p>	

If any of the above details are incorrect, please amend them and initial the alterations. You should read the Bidder's Statement which accompanies this form. To accept the Option Offer contained in that document, complete this form below and return it to Tomahawk in the enclosed reply paid envelope.

If your K2 Energy Options are held on the Issuer Sponsored Subregister, please read Section 1 overleaf and then complete this page and return this form to Tomahawk in the enclosed reply paid envelope.

If your K2 Energy Options are held on the CHESSE Subregister, please read Section 1 overleaf then you can accept this Option Offer by either instructing your broker to accept the Option Offer on your behalf, or by completing this page and Section 2 overleaf and returning the form to Tomahawk in the enclosed reply paid envelope.

Signature(s)

I/We, the person(s) named above, being the holder(s) of the K2 Energy Options shown above accept the Option Offer in respect of the number of my/our K2 Energy Options shown above and hereby agree to transfer to Tomahawk those K2 Energy Options for the consideration specified above and agree to be bound by the terms and conditions of the Option Offer. If this form is signed under Power of Attorney, the Attorney declares that he has no notice of revocation of that power.

Individuals and joint holders

Companies (affix common seal if appropriate)



SIGNATURE

DIRECTOR

SIGNATURE

DIRECTOR/COMPANY SECRETARY

SIGNATURE

SOLE DIRECTOR AND COMPANY SECRETARY

Name and contact number of at least one signatory: _____

Dated / /2007

HOW TO ACCEPT THE OPTION OFFER

THIS IS AN IMPORTANT DOCUMENT. IF YOU ARE IN DOUBT AS TO HOW TO COMPLETE THIS FORM PLEASE CONSULT YOUR BROKER OR FINANCIAL ADVISER IMMEDIATELY.

Your acceptance must be received by no later than 5pm Australian Western Standard Time on 23 May 2007 (unless the Option Offer is extended).

1

Instructions for all holders

To accept the Option Offer you should complete, sign and date the form on the reverse side.

Please note:

(a) Joint Holders

All joint holders must sign this form.

(b) Corporations

This form must be signed by the authorised officers of the corporation and sealed (if required by, and in accordance with, the corporation's constitution), or a duly appointed attorney.

(c) Power of Attorney and Deceased Estates

If this form is signed under power of attorney, or by the executors of a deceased estate, or by the administrators, the relevant power of attorney, probate or letters of administration, together with any other documents required by law, must be attached.

Optionholders should mail or deliver their completed form to:

Tomahawk Energy Limited
C/- Advanced Share Registry Services Pty Ltd
GPO Box 1156
NEDLANDS WA 6909

Delivery Address:
Tomahawk Energy Limited
C/- Advanced Share Registry Services Pty Ltd
110 Stirling Highway
NEDLANDS WA 6009

A pre-paid envelope has been enclosed for shareholders with Australian addresses.

Overseas optionholders are urged to return their completed form by airmail.

2

Additional instructions for CHESSE holders

To accept the Option Offer you should:

- (a) Call your broker and instruct them to accept the Option Offer, or
- (b) Complete and sign the Acceptance Form on the reverse side and complete the following details, sign below, and mail this form in the pre-paid envelope provided.

Name of your Controlling Participant (broker): _____

I/We request and authorise you to instruct my/our Controlling Participant (broker) to accept the Option Offer in respect of those options indicated on the Acceptance Form.

Signature: _____

If you have any queries concerning your shareholding or need help in completing this form please contact Advanced Share Registry Services Pty Ltd on (08) 9389 8033.