



Joint Media Release

29th March 2007

K2 ENERGY TO MERGE WITH TOMAHAWK ENERGY

The Directors of K2 Energy Limited (“K2 Energy”) and Tomahawk Energy Limited (“Tomahawk”) are pleased to announce that K2 Energy has completed its legal due diligence on Tomahawk’s US oil and gas interests in relation to the proposed merger with Tomahawk.

Following the completion of the due diligence process it was agreed by Tomahawk and K2 Energy that the terms of the merger would be amended as detailed below.

Under the revised merger terms Tomahawk will offer:

- 6 new Tomahawk fully paid ordinary shares for every 10 fully paid ordinary shares in K2 Energy; and
- 1 new Tomahawk option, with an expiry date of 30th September 2009, exercisable at 20 cents for every 2 options currently 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 28m 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	40.298m
Unlisted options	1.350m

K2 Energy Limited directors advise that subject to the receipt of a satisfactory Bidder's Statement they intend to recommend the offer, in the absence of:

- a superior proposal; and
- a Tomahawk Prescribed Occurrence occurring before the end of the offer period (refer to Annexure 1 of this announcement).

In late February we advised Tomahawk's Bidder's Statement and K2 Energy's Target Statement were expected to be mailed to K2 Energy shareholders and option holders by late March 2007. It is now expected that these statements will be mailed to shareholders and option holders in mid April 2007.

It is anticipated that the merger will be completed within 60 days.

Peter Moore
Executive Chairman
K2 Energy Limited

Tony Brennan
Chairman
Tomahawk Energy Limited

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:

- (n) Tomahawk converts all or any of its securities into a larger or smaller number of securities;
- (o) Tomahawk or a subsidiary of Tomahawk resolves to reduce its capital in any way;
- (p) 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.
- (q) 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;
- (r) Tomahawk or a subsidiary of Tomahawk issues, or agrees to issue, convertible notes;
- (s) Tomahawk or a subsidiary of Tomahawk disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (t) Tomahawk or a subsidiary of Tomahawk charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (u) Tomahawk or a subsidiary of Tomahawk resolves that it be wound up;
- (v) a liquidator or provisional liquidator of Tomahawk or a subsidiary of Tomahawk is appointed;
- (w) a court makes an order for the winding up of Tomahawk or a subsidiary of Tomahawk;
- (x) an administrator of Tomahawk, or of a Subsidiary, is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (y) Tomahawk or a subsidiary of Tomahawk executes a deed of company arrangement; or
- (z) 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.