TOMAHAWK ENERGY LIMITED
ABN 99 106 609 143
ASX Preliminary final report – 30 June 2007

Lodged with the ASX under Listing Rule 4.3A

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Tomahawk Energy Limited
Year ended 30 June 2007
Results for Announcement to the Market

				$
Revenue from ordinary activities	Decrease	51.6%	to	1,221,895
Loss from ordinary activities after tax attributable to members	Increase	1844%	to	(27,888,102)
Net Loss for the period attributable to members	Increase	1844%	to	(27,888,102)

Additional dividend/distribution information

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2007 are as follows:

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

The Board has resolved that no dividend will be paid for the year ended 30 June 2007.

Record date for determining entitlements to the dividend | N/A

Tomahawk Energy Limited
Preliminary consolidated financial statements
For the year ended 30 June 2007

Brief explanation of figures

The company has undergone a major restructuring during the second half of the 2006/2007 financial year, and has refocused its activities after the merger with K2 Energy Limited. As a result of this restructuring and a review of the consolidated group, a number of large non-recurring costs were incurred (many of a non cash nature) and these have contributed significantly to the loss for the year. In addition a review of assets by the new management of the company has resulted in write-downs in the value of some assets.

Revenue declined by 51.6% to $1,221,895 due to declining production rates from existing wells, and cost of sales reduced accordingly from $1,070,200 to $786,855. The operating loss of $27.888 million includes a write-down of $20.9 million for impairment of existing oil and gas assets, amortisation and depreciation of $3.35M and $2.87 million of foreign exchange losses (these amounts are essentially non cash items).

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

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

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

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

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

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

Tomahawk Energy Limited
Preliminary consolidated income statement
For the year ended 30 June 2007

	2007 $	2006 $
Revenue	1,173,342	2,331,075
Cost of Sales	(786,855)	(1,070,200)
Amortisation and depreciation	(3,349,641)	(2,636,202)
Gross loss	**(2,963,154)**	**(1,375,327)**
Other Revenue	48,643	193.237
Consultant's fees	(535,243)	(141,950)
Listing and share registry	(51,731)	(52,067)
Rental and office expenses	(51,768)	(6,020)
Administrative expenses	(52,000)	(38,939)
Salaries, directors fees and employee benefits	(267,591)	(339,776)
Travel expenses	(33,016)	(134,416)
Foreign exchange gains/(losses)	(2,874,536)	470,303
Provisions	9,539	(9,539)
Legal and accounting fees	(152,891)	-
Interest paid	(87)	-
Impairment of oil and gas assets	(20,964,267)	-
Operating (Loss) before income tax	**(27,888,102)**	**(1,434,494)**
Income tax expense/(benefit)	-	-
Net loss from continuing operations	**(27,888,102)**	**(1,434,494)**
Net Loss	**(27,888,102)**	**(1,434,494)**
Basic earnings per share (cents per share)	(34.9)	(2.1)

Tomahawk Energy Limited
Preliminary consolidated balance sheet
As at 30 June 2007

	2007 $	2006 $
CURRENT ASSETS		
Cash and cash equivalents	6,388,436	2,248,898
Trade and other receivables	83,039	338,970
TOTAL CURRENT ASSETS	6,471,475	2,587,868
NON-CURRENT ASSETS		
Deferred exploration, evaluation and development costs	5,902,227	26,553,735
TOTAL NON-CURRENT ASSETS	5,902,227	26,553,735
TOTAL ASSETS	12,373,702	29,141,603
CURRENT LIABILITIES		
Trade and other payables	283,884	1,183,354
Provisions	1,703	9,539
TOTAL CURRENT LIABILITIES	285,587	1,192,893
TOTAL LIABILITIES	285,587	1,192,893
NET ASSETS	**12,088,115**	**27,948,710**
EQUITY		
Issued capital	40,883,347	30,634,433
Minority Interest	332,943	-
Foreign currency reserve	1,285,250	-
Option reserve	2,336,200	2,175,800
Accumulated losses	(32,749,625)	(4,861,523)
TOTAL EQUITY	**12,088,115**	**27,948,710**

Tomahawk Energy Limited
Preliminary Statement of changes in Equity
As at 30 June 2007

ECONOMIC ENTITY	Minority Interest	Foreign Currency Reserves	Option Reserves	Issued Capital	Accumulated Losses	Total
	$	$	$	$	$	$
Balance at 1 July 2004		-	-	4,449,505	(619,435)	3,830,070
Equity settled transactions	-	-	2,078,300	-	-	2,078,300
Loss attributable to members		-	-	-	(2,807,594)	(2,807,594)
Shares issued during the year		-	-	11,262,000	-	11,262,000
Conversion of options during the year		-	-	637,000	-	637,000
Capital raising costs		-	-	(344,750)	-	(344,750)
Balance at 30 June 2005		-	2,078,300	16,003,755	(3,427,029)	14,655,026
Equity settled transactions		-	105,000	-	-	105,000
Foreign translation revenue		(7,500)	-	-	-	(7,500)
Loss attributable to members		-	-	-	(1,434,494)	(1,434,494)
Shares issued during the year		-	-	15,127,745	-	15,127,745
Conversion of options during the year		-	-	99,900	-	99,900
Capital raising costs		-	-	(596,967)	-	(596,967)
Balance at 30 June 2006		(7,500)	2,183,300	30,634,433	(4,861,523)	27,948,710
Equity settled transactions		-	152,900	-	-	152,900
Foreign translation revenue		1,292,750	-	-	-	1,292,750
Shares cancelled during the year		-	-	(5,400,000)		(5,400,000)
Loss attributable to members		-	-	-	(27,888,102)	(27,888,102)
Shares issued during the year		-	-	15,648,914	-	15,648,914
Minority interest	332,943	-	-	-	-	332,943
Capital raising costs		-	-	-	-	-
Balance at 30 June 2007	332,943	1,285,250	2,336,200	40,883,347	(32,749,62)	12,088,115

Tomahawk Energy Limited
Preliminary consolidated statement of cash flows
For the year ended 30 June 2007

	2007 $	2006 $
Cashflows from operating activities		
Receipts from customers	1,090,303	2,421,377
Payments to suppliers and employees	(1,781,423)	(3,628,738)
Interest received	48,643	178,062
Net cash inflow/(outflow) from operating activities	(642,477)	(1,029,299)
Cashflows from investing activities		
Payments and exploration expenditure	(1,655,036)	(4,960,198)
Cash acquired on acquisition of subsidiary	6,765,346	-
Payments relating to acquisition of subsidiary	(328,295)	-
Net Cashflows used in investing activities	4,782,015	(4,960,198)
Cashflows from financing activities		
Proceeds from issue of shares and options	-	8,027,644
Transaction costs of the issue of shares	-	(597,967)
Net Cashflows used in investing activites	-	7,430,677
Net increase/(decrease) in cash and cash equivalents	4,139,538	1,441,180
Cash and cash equivalents at the beginning of the financial year	2,248,898	802,882
Net foreign exchange differences	-	4,835
Cash and cash equivalents at the end of the financial year	6,388,436	2,248,898

The cash balances at 30 June 2006 and 30 June 2007 are represented by cash at bank and money market securities.

RECONCILIATION OF OPERATING (LOSS) AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

Net loss	(27,888,102)	(1,434,494)
Non cash items		
Unrealised foreign currency (gains)/losses	1,505,205	(470,303)
Impairment of oil and gas assets	20,964,267	-
Amortisation	3,349,641	2,636,202
Share based payments	152,900	105,000
Cash flows not in current year loss		
Exploration, evaluation and development expenditure	-	(1,028,993)
Changes in assets and liabilities		
(Increases)/decrease in receivables	257,975	18,135
(Increases)/decrease in payables and accruals	1,025,176	(864,385)
Increase in provisions	(9,539)	9,539
Net cashflows (used in)/ from operating activities	(642,477)	(1,029,299)
Reconciliation of cash:		
Cash balances comprises		
- cash in bank	3,565,739	1,915,170
-US Dollar accounts	2,822,697	333,728
	6,388,436	2,248,898

Segment Operations

(a) Primary Segment - Geographical Segments

The Economic Entity has the following geographical segments:

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

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

Secondary Reporting – Geographical Segments

	Segment Revenues from External Customers	Carrying Amount of Segment Assets	Segment Result
	2006	**2006**	**2006**
Geographical location:	**$**	**$**	**$**
Australia	193,237	2,587,869	(524,635)
USA	2,331,075	26,553,734	(909,859)
	2,524,312	29,141,603	(1,434,494)

	2007	**2007**	**2007**
Geographical location:	**$**	**$**	**$**
Australia	48,643	4,809,329	(8,104,904)
USA	1,173,342	7,618,571	(19,783,198)
	1,221,985	12,427,900	(27,888,102)

The result in Australia includes an impairment of goodwill on consolidation of $7,446,180

(b) Secondary Segment - Business Segments

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

Associates and Joint Venture entities

Nil

Contingent liabilities

At 30^{th} June 2007 no contingent liabilities existed, other than 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 shareholder's approval obtained on 28 March 2006:

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

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

Entities acquired

The company acquired 100% of K2 Energy Limited and its wholly owned subsidiary K2 Energy Inc. pursuant to the terms contained in the Bidder's Statement dated 5^{th} April 2007. As at 30^{th} June 2007 the company had acquired 97.2% of K2 Energy Limited and was in the process of compulsorily acquiring the remaining shares and options. This process was completed in early July 2007. These accounts have treated K2 Energy as a wholly owned subsidiary as at 30^{th} June 2007. The financial position of K2 Energy on 23^{rd} May 2007, being the date control was gained, and the date of the completion of the compulsory acquisition on July 2007 was materially unchanged.

Foreign Accounting standards

N/A

NTA Backing

	2007	2006
Net tangible asset backing per ordinary share	10.3 cents	37 cents

Other significant information

N/A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

The consolidated financial information has been prepared on the accruals basis and is based on historical costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

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

(b) Income Tax

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(b) Income Tax (cont'd)

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

• when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;or
• when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

(c) Exploration, Evaluation and Development Expenditure

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

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
(ii) exploration and evaluation activities in the area have not, at balance date, resulted in booking economically recoverable reserves, and active operations in, or relating to, this area are continuing.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Restoration

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

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

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

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

(e) Trade and Other Payables

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

(f) Cash and Cash Equivalents

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

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

(g) Goods and Services Tax (GST)

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(h) Foreign Currency Translation

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

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

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

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

Foreign operations

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

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

(i) Earnings Per Share

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

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

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

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

(j) Segment Reporting

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

(k) Trade and Other Receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(l) Principles of consolidation

Controlled entities

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

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

Transactions eliminated on consolidation

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

(m) Issued Capital

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

(n) Operating Leases

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

(o) Revenue

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

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

Interest

Control of the right to receive the interest payment.

(p) Other Financial Assets

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(p) Other Financial Assets

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale investments

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

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

(q) Employee Benefits

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

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

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

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

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

(r) Joint Ventures

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(s) Borrowing Costs

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

(t) Property, Plant & Equipment

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

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

(i) Impairment

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

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

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

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

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

(ii) Derecognition and disposal

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

(u) Impairment of Assets

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(u) Impairment of Assets (cont.)

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

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(v) Share-based payment transactions

(i) Equity settled transactions:

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

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model, further details of which are given in note 25.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Tomahawk Energy Limited.

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

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

(x) Significant Accounting Estimates and Assumptions

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

Share based payment transactions

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

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

Mineral Exploration and Evaluation

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

(y) Recoverable Amount

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

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

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

Tomahawk Energy Limited
Notes to the preliminary consolidated financial statements (continued)
For the year ended 30 June 2007

Loss Per Share

The following reflects the loss and share data used in the calculations of basic and diluted loss per share.

	2007	2006
Net loss used in calculating basic and diluted earnings per share	($27,888,102)	($1,434,494)
Basic and diluted (loss) per share (cents per share)	(34.9)	(2.1)
Weighted average number of shares used in the calculation of basic and diluted loss per share	79,806,369	68,429,010
Shares on issue at year end	116,908,322	75,494,827
Number of options on issue at year end – each option is exercisable at between 20 cents and 70 cents per share and converts to one ordinary share	44,310,294	16,298,000

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

Audit

This report is based on accounts which are in the process of being audited.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review. -Nil

Description of dispute or qualification if the accounts have been audited or subjected to review -Nil

Sign here: .... Date: 31st August 2007
(Director)

Print name: P Moore