

June 2, 2008

Drilling Partners Funded

K2 Energy Limited (ASX-KTE) is pleased to announce that its drilling partner on the Bad Creek project in Oklahoma, Irvine Energy Plc, has announced on 27th May 2008 that it has secured a project financing package of US\$50.12m from a US Energy group to fund its projects in Oklahoma and Kansas in the United States.

Irvine Energy has acquired a 50% interest in the leases and production of Metro Energy Group in Oklahoma, including the Bad Creek project and the credit facility will enable Irvine to settle a US\$6.12m loan to Metro arising from the recent purchase of production assets from Metro Energy, the Operator of the Bad Creek project in which both K2 Energy and Irvine Energy have the majority interests.

Irvine Energy Plc is an AIM listed company focused on developing onshore conventional and unconventional oil and gas assets in the USA. Irvine's US based management brings substantial conventional and unconventional oil and gas exploration and development experience to the Bad Creek Project.

Peter Moore, K2 Energy's Managing Director, commented:-

"Irvine Energy securing funding for its US projects is a very positive outcome for KTE as apart from being an endorsement of the project by an independent party, it ensures that all partners in the Bad Creek project, Metro Energy, KTE and Irvine Energy are now funded and can proceed to rapidly evaluate develop the substantial conventional and unconventional oil and gas resources identified on the Bad Creek seismic area."

"This is an exciting time for the company with KTE and its partners participating in three horizontal wells to be drilled in the Bad Creek project in the coming weeks to test the Woodford and Caney shale gas resources identified in the recent Netherland Sewell report."

The first horizontal Woodford shale well, the Jones #1 well (KTE 25%), will be drilled vertically to 4000' to log multiple conventional oil and gas zones before being kicked off to drill a 2000' lateral leg into the Woodford shale. Multistage Fracture stimulation techniques applied successfully by other operators in the play adjacent to the Bad Creek project area will be applied by the company.

The Jones #1 well is the first of several planned wells to test the Woodford and Caney shale resource of up to **81BCF net to KTE** of gas outlined by Netherland Sewall & Associates in its Independent Experts Report announced on 13th May 2008.

For any further information please contact, Managing Director, Peter Moore on 02 9251 2254.