

13th May 2008

## ASX ANNOUNCEMENT

### Resource estimate of up to 81 bcf of gas for K2 Energy

#### Highlights:-

- **Independent resource estimate of up to 81 bcf in K2 Energy's Bad Creek project in Oklahoma**
- **Independent "best estimate" Contingent Gas Resource of 47 bcf with low side case of 17 bcf (unrisked)**
- **The gas shale play in K2's area is now proven by numerous operators in the immediate area and the subject of a large development program.**
- **K2 will soon be participating in two horizontal wells in this exciting shale gas play.**

An independent expert's report of the gas potential of K2 Energy Limited's (ASX :KTE) Bad Creek project in Oklahoma, by consulting group, **Netherland Sewell & Associates Inc. (NSA)** has found a Contingent Gas Resource best estimate of 47 billion cubic feet of gas contained in the prospective Woodford and Caney shale plays.

The report also found a high estimate of 81 bcf of gas could be contained in the acreage, which will begin testing with the drilling of two horizontal wells, expected to start drilling within the next 90 days.

The report has confirmed the potential of the Woodford and Caney shale plays in the Bad Creek project acreage, which covers more than 5,500 acres. As mentioned in a previous release acreage values in this play type are yielding \$4,000 to \$16,000 per acre.

KTE announced on 29<sup>th</sup> April 2008 that the company would participate in two horizontal test wells in the Woodford shale in the Jones #1 (KTE 25%) and the Sears #1 (KTE 11%) wells in the next 90 days.

Improvements in drilling technology and a recent doubling of US gas prices has resulted in a large increase in the value of K2 Energy's petroleum acreage and prompted a substantial increase in drilling activity targeting this, now proven, play type. This is a major boost for K2 Energy, which was an early entrant in this area gaining a valuable position to be drilled in the coming months.

Commenting on the Netherland Sewell report K2 Energy's Managing Director, Peter Moore said,

***“The Netherland Sewell report on the gas resource potential of the Bad Creek acreage is very exciting for the company and further supports the company's view that the Caney and Woodford Shale plays represent significant potential upside for the company. The cost of acreage mentioned above appears to be consistent with the scale of the resource estimate quantified by NSA.***

***K2 already has some production from the Caney and the Woodford shales from vertical wells and we are confident that application of new horizontal drilling techniques, together with the 3D seismic that we have on the area, has the potential to deliver positive results, and to unlock the significant commercial potential of K2 acreage.***

***KTE will commence drilling on these contingent resources over the coming months with the objective of moving these resources into proven and probable reserves and hopefully providing a major valuation uplift as the these resources are substantial for a small company like KTE.”***

**Netherland Sewell & Associates Inc.** is a major global energy consulting group based in Houston and Dallas, Texas, in the USA. Further information is available on the NSA website at: [www.netherlandsewell.com](http://www.netherlandsewell.com)

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