

June 23, 2008

ASX ANNOUNCEMENT

Gas Flows on Farrow 1-24 workover

K2 Energy Limited (ASX-KTE) is pleased to announce that a recent workover was undertaken on the Woodford shale zone in the Farrow 1-24 well in the company's Bad Creek project. The vertical well was originally drilled in December 2005 by the operator Devon Energy but not completed in the Woodford. KTE has a 7.5% working interest in the well.

The well was acid treated and then treated with a multistage fractured treated May 20th with 4400 barrels of water and 68,000 lbs of sand. The well is currently pumping load water and to date 1800 barrels have been recovered.

The well flowed gas to surface while well pumps were being installed and strong bottom hole pressures were recorded.

Tanks have been installed and the gas gathering line has been connected to the gas sales meter in anticipation of gas production being established.

In the coming weeks production rates will be determined after all load water has been recovered.

The recompletion is significant as it provides an opportunity to further evaluate the Woodford shale potential in the Bad Creek project area. While horizontal wells are now considered more likely to establish commercial production in the Woodford shale, KTE's Snell 2-19 vertical well has produced over 200 mcfgd since 2004 demonstrating the potential of the Woodford shales in the project area.

KTE is currently drilling the Jones 1-15 horizontal Woodford test well which is expected to be completed in August.

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