

June 25, 2008

ASX ANNOUNCEMENT

Gas encountered at Jones #1 Well

K2 Energy Limited (ASX-KTE) is pleased to announce that the vertical portion of its first horizontal appraisal well to test the Woodford shale in the current drilling program on its Bad Creek Project in Oklahoma has reached total vertical depth of 4100 feet.

The well has encountered gas shows in several secondary conventional zones as well as encountering approximately 42 feet of Woodford shale, the primary objective which was in line with expectations. At this stage the focus will be on moving forward and evaluating the Woodford gas zone, and then returning to evaluate the gas shows in the conventional zones.

The lateral horizontal component of the well has been drilling for several days in the Woodford shales with encouraging gas shows encountered. The horizontal section of the well has been drilled to in excess of 1000 feet and will be drilled to a planned lateral extent of 2100 feet with the completion and testing of the well expected by early August.

Multistage Fracture stimulation techniques applied successfully by other operators in the Woodford 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 Expert's Report announced on 13th May 2008.

Woodford / Caney Shale Play – Arkoma Basin Oklahoma

The Woodford / Caney Shale play is now proven and one of the fastest developing unconventional gas plays in the United States with many large independent such as Newfield Exploration, Devon Energy, Southwestern Energy, XTO, Petrohawk Energy and others all mounting aggressive drilling programs on the back of many successful wells in the adjoining areas. To date Woodford Wells in the play have consistently produced 1.0 - 3.4 million cubic feet of gas per day with reserves of 2-4 BCF of gas per well being booked.

Newfield Exploration has announced expenditure of \$700,000,000 drilling in the Woodford play in SE Oklahoma in 2008.

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