

30 April, 2009

QUARTERLY ACTIVITIES REPORT FOR THE QUARTER
ENDED 31st March 2009

The Directors of K2 Energy Limited (ASX: KTE) are pleased to provide the following report for the Quarter ended 31 March, 2009.

REVIEW OF OPERATIONS

During the Quarter the company has reviewed its participation in drilling operations in the Bad Creek project in Oklahoma and has suspended further drilling until legal and accounting issues with its operator Metro Energy Group have been resolved.

The company is considering all options in respect of the Bad Creek Project and will consider divesting its interest or working with a new incoming Operator on the Bad Creek project. The company understands that Metro Energy is seeking to dispose of its interest in the project.

Re-evaluation of the project is deemed necessary as a result of market conditions in the US onshore oil and gas sector, low gas prices in the US, as well as the legal issues with Metro Energy Group.

New Projects

The company is actively reviewing new energy projects, as well as commercial opportunities in Australia and elsewhere and believes that the current economic conditions will create new opportunities for the company going forward. The company's focus will be on sourcing new opportunities capable of restoring shareholder value as the world economic conditions recover.

Metro Energy Group

The company has been dissatisfied with the performance of Metro Energy Group and has commenced litigation with Metro Energy Group in Oklahoma, seeking termination of the agreements with Metro Energy Group and the removal of them as operator.

The company is also currently conducting an audit of the five wells drilled by Metro Energy Group since the merger of K2 Energy and Tomahawk Energy in June 2007. The audit of the remaining wells is continuing with other partners in the wells participating in the audit and sharing costs.

Oklahoma Shale Play Activity

The Caney/Woodford play in Oklahoma remains prospective and it is expected that activity will again increase as market conditions improve, assisting in increasing the value of the company's Oklahoma assets.

Well Review & Revenues

The company has six producing wells in Oklahoma and two in Texas producing 150-200 mcf of gas per day net to the company. Production revenue received by the company for the March Quarter was reduced, as all revenue from the Oklahoma wells is being held in escrow pending the resolution of litigation with Metro Energy Group.

Conclusion

The company is working to resolve the legal and accounting issues with Metro Energy Group and to either exit the Oklahoma project on reasonable terms or continue with the project, if a new operator acceptable to the company is appointed.

The company has closed its US office and has reduced staff and overhead significantly as a result and it will continue with its policy of preserving as much cash as possible, while continuing to review acquisition and new project opportunities.

For further information contact:

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