

**30 October, 2009**

ASX RELEASE

**QUARTERLY ACTIVITIES REPORT FOR THE QUARTER  
ENDED 30 SEPTEMBER 2009**

The Directors of K2 Energy Limited (ASX: KTE) are pleased to provide the following report for the Quarter ended 30 September, 2009.

**REVIEW OF OPERATIONS**

During the Quarter the company continued to conserve capital and evaluated a large number of new opportunities in the oil and gas and resources sector in the US. The company has also reviewed several opportunities in the renewable energy sector including Geothermal and solar energy projects in Australia and elsewhere. Review and due diligence in respect of several new opportunities is continuing.

The company continued the suspension of its drilling activity in the Bad Creek project area in Oklahoma due to the ongoing legal and accounting dispute with the operator of the project Metro Energy Group. The company however continues to assess and evaluate data on the project to formulate a forward work program that may be initiated once the issues are resolved with Metro Energy.

Market conditions in the onshore conventional and unconventional oil and gas sectors in the US have begun to show signs of improvement with gas prices increasing to over \$5 per mcfg during the quarter. The company believes that its Bad Creek project has significant upside potential in the future for the company to prove up and produce its contingent resource of up to **81 BCF of gas net to K2 Energy** as outlined in the 2007 Netherland Sewell independent resource report.

**Well review**

The company has 8 producing wells in Oklahoma and Texas producing 150-200 mcf of gas per day net to the company. The Jones #1 Woodford shale well in Oklahoma was shut in by the Operator during the quarter, however the well was producing 30-40 mcfd prior to shut in. The production achieved was encouraging given the well had engineering issues during drilling and production testing. The potential resource in the Woodford shale play on the company's acreage in Oklahoma remains highly prospective, particularly with the recent increases in US domestic gas prices. The Snell 1-19 well continues to produce at a consistent 160 mcfgd from the Woodford.

## **Revenues**

Production revenue received by the company for the Quarter was reduced as all revenue from the Oklahoma wells continues to be held in escrow pending the resolution of litigation with Metro Energy Group.

## **Conclusion**

The company continues to work to resolve the legal and accounting issues with Metro Energy Group. Management is working hard on reviewing a significant number of new opportunities in the conventional and renewable energy sectors, as well as other commodity resource projects. The company is confident appropriate opportunities that meet its criteria are available and until new opportunities are finalized the company will continue to manage funds prudently.

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