

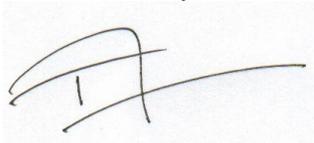
19th January 2010

GICS amendment

The Global Industry Classification Standard for K2 Energy Limited has been amended and as a result K2 Energy Limited is now classified under “5510 Utilities”.

As a result of this reclassification, K2 Energy Limited’s securities are now quoted in the “Industrials” category.

Yours faithfully



Terry Flitcroft
Company Secretary

ANNEXURE TO VOLUNTARY DISCLOSURE STATEMENT

K2 Energy has been selected for a risk review project in relation to a merger undertaken in 2007. The merger for K2 Energy was completed in the middle of 2007. Prior to that date all management and accounting functions for the company were conducted from Perth. Subsequent to the merger all accounting and management functions were transferred to Sydney together with all the company's files and records. Thus a number of the BAS returns that this risk review covers were lodged by the company's previous management. At the time these returns were being completed, staff were under significant time pressure as a result of the transfer of these files to Sydney from Perth and the increased workload. If this pressure did not occur the account clerk may have been able to properly research this very complicated area of the GST legislation.

The quarterly BAS returns for the company are prepared in first instance by the accounts clerk and whilst there was awareness that certain costs relating to the flotation of a company would be precluded from claiming an input tax credit or a reduced input tax credit, it was never considered that these sections of the very complicated GST legislation applied in relation to a merger, as companies use share registries and lawyers in the normal course of business.

K2 Energy had never undertaken a merger before and this type of transaction is infrequent and complicated and we believe that we tried to the best of our ability to honestly lodge what we believed were correct and accurate BAS returns at the time. We do not believe this type of transaction is likely to occur again in the foreseeable future and now that we have been advised of the correct treatment, we can educate our staff so that such an error will not be made again in the future.