

23rd July 2010

The Manager
Company Announcements Officer
Australian Securities Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

K2 Energy Limited Rights Issue – Cleansing Notice

This notice is given by K2 Energy Limited ACN 106 609 143 (**K2** or **Company**) under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**Corporations Act**) as modified by ASIC Class Order 08/35.

On 23rd July 2010, K2 Energy Limited (**K2** or **Company**) announced a non-renounceable 3 for 5 rights issue of fully paid ordinary shares in K2 at an issue price of \$0.05 per new share (**Rights Issue**). K2 shareholders registered at 7.00pm on Tuesday, 3 August 2010 (**Record Date**) with a registered address in Australia or New Zealand will be entitled to participate in the Rights Issue (**Eligible Shareholders**).

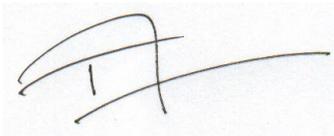
The proceeds of the Offer will be used to strengthen the Company's balance sheet and fund future working capital requirements.

In accordance with section 708AA(2)(f) of the Corporations Act, K2 given notice that:

- (a) the New Shares will be offered for issue without disclosure to investors under Part 6D.2 of the Corporations Act as modified by CO 08/35;
- (b) this notice is being given under section 708AA(2)(f) of the Corporations Act as modified by CO 08/35;

- (c) as at the date of this notice, K2 has complied with:
- (i) the provisions of Chapter 2M of the Corporations Act as they apply to K2; and
 - (ii) section 674 of the Corporations Act
- (d) as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) of the Corporations Act as modified by CO 08/35; and
- (e) the issue of New Shares pursuant to the Rights Issue is not expected to have any material effect or consequence on the control of K2.

Signed for K2 Energy Limited



T.A. Flitcroft
Company Secretary