

26th July 2010

Dear Shareholder

**Non-Renounceable Rights Issue- 3 New shares for every 5 shares held at 5 cents per share**

The Directors of K2 Energy Limited (**Company**) wish to advise the details of a non-renounceable entitlement issue of three new ordinary shares for every five ordinary shares held at an issue price of 5 cents per new share (**Rights Issue**).

The proceeds of the Offer will be used to strengthen the Company's balance sheet and fund future working capital requirements. On the basis that the Rights Issue is fully subscribed, it will raise approximately \$3.920 million.

Companies associated with Sam Gazal and Ken Gaunt, who are directors of the company, have committed to take up their full entitlement in the issue.

**Business Progress**

On 5<sup>th</sup> July 2010, K2 updated shareholders on the progress of K2's solar program. The highlights of this update were:

- The optical characterisation milestone had been achieved (optical characterisation is the analysis of the ability of materials to absorb light),
- Side by side testing of the Mears Silicon Technology ("MST™") solar cell is on track for December 2010,
- Commercialisation of the technology with photovoltaic ("PV") solar cell manufacturers scheduled for 2011,
- The head of Mears Technologies Inc. has joined the Board of K2 Energy. To have a Director of Dr Mears stature is an important event for the company.

In summary, K2 is confident, that given that optical characterisation has been successful, the MST™ solar cell is likely to be significantly more efficient and substantially less expensive to manufacture, than is currently available for mass market use.

Dr Mears and his highly qualified team in Boston have developed patented technology to significantly improve the efficiency of photovoltaic cells, and reduce the amount of silicon required in their manufacture.

K2 holds the exclusive world wide rights to Mears Technology's intellectual property covering the solar energy applications developed by Mears.

Mears Technologies Inc. is an unlisted corporation based in Boston, founded by Dr Mears. Dr Mears is recognised worldwide as one of the world's leading experts in photonics – the synthesis of electronics and optical communication.

In the 1980's Dr Mears increased the capacity of optical fibre by 1,000 times – the key enabling technology of the internet - through his invention of an optical amplifier, known as the Erbium Doped Amplifier.

The Mears solar technology involves the production of an altered or 'nano-doped' layer of silicon that is inserted into the manufacture of silicon solar photovoltaic wafers.

Mears' technology alters the composition of the cells to increase their optical absorption and allowing solar panels to be built using less silicon.

**In the opinion of the Directors, if Mears Technologies Inc. and K2 Energy Limited are successful in delivering a PV solar cell by December of this year, which is more efficient and less expensive than currently available in the mass market, and it is able to be commercialised in 2011, the rewards could be significant for K2, the solar industry and the renewable energy sector as a whole. Such success is dependent on the results of further research and development, and is not guaranteed.**

K2's oil and gas interests in the US are managed by Trey Resources Inc. Oil and gas outgoings in the future have been substantially reduced. KTE has the opportunity to invest further in additional exploration, at its election, in proportion to its holding in Trey Resources I LLC.

## Offer Document available online

Full details of the Rights Issue are contained in the Rights Issue Offer Document (**Offer Document**) lodged with the ASX on 23rd July 2010. The Offer Document, Cleansing Notice and the Appendix 3B are available on the ASX's company announcement platform at [www.asx.com.au](http://www.asx.com.au).

## Your Entitlement

Only K2 Energy shareholders registered as of 7.00pm (Sydney time) on 3rd August 2010 (**Record Date**) will be entitled to participate in the Rights Issue (**Eligible Shareholders**).

Eligible Shareholders may also elect to participate in the Shortfall Facility by applying for new shares in excess of their pro rata entitlement. The shortfall may also be placed with third parties at the Board's discretion.

Due to costs and regulatory constraints, the Offer will only be available to K2 Energy's shareholders with a registered address in Australia or New Zealand. This approach is permissible under the ASX listing rules.

The Offer Document together with an Entitlement and Acceptance Form will be dispatched to all Eligible Shareholders no later than 5th August 2010.

Foster Stockbroking Pty Ltd has agreed to act as Placement Manager for K2 Energy Limited, to place up to 20,000,000 shortfall shares. In the event that there is insufficient shortfall, K2 Energy Limited has agreed to a top up placement of ordinary shares, at 5 cents per share, to meet the total of 20 million shares.

## How to Apply

Application for new shares under the Rights Issue may only be made by lodging a completed Entitlement and Acceptance Form with the applicable application money by the close of the Rights Issue at 5.00pm (Sydney time) on 25th August 2010.

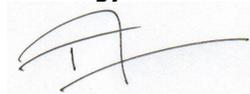
Shareholders eligible to participate in the Rights Issue should read the Offer Document carefully including the Risk Factors section therein and consult their professional advisor before making any investment decision.

Event	Date
Announcement of Offer	Friday, 23 July 2010
Lodgment of Appendix 3B, Offer Document and Cleansing Notice with ASX	Friday, 23 July 2010
Dispatch of notices to Shareholders informing them of the Offer	Monday, 26 July 2010
Shares quoted on ex-entitlement basis	Tuesday, 27 July 2010
Record Date for determining Entitlements	7pm, Tuesday, 3 August 2010
Offer opens - dispatch of Offer Document and Entitlement and Acceptance Form	Thursday, 5 August 2010
Offer Closing Date	5pm, Wednesday, 25 August 2010
Shares quoted on deferred settlement basis	Thursday, 26 August 2010
Company notifies the ASX of under-subscriptions	Monday, 30 August 2010
Dispatch of holding statements and allotment and issue of New Shares	Thursday, 2 September 2010
Trading of New Shares on ASX expected to commence	Friday, 3 September 2010

This timetable is indicative only and subject to change. The Directors reserve the right to vary these dates, including the closing date, without prior notice, subject to the Listing Rules. Any extension of the closing date will have a consequential effect on the anticipated date for allotment and issue of the new shares.

If you have any questions, then please contact Terry Flitcroft +61 2 9251 3311.

For and on behalf of  
**K2 Energy Limited**



**T. A. Flitcroft**  
Company Secretary