

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

K2 Energy Limited

ABN

99 106 609 143

We (the entity) give ASX the following information.

### Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |   |  |
|---|---|--|
| 1 | +Class of +securities issued or to be issued  | ORDINARY   |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 22,000,000 ordinary shares<br>4,000,000 options. |

**Appendix 3B**  
**New issue announcement**

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- 3 Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)

K2 Energy Limited proposes to issue up to 11,800,000 ordinary shares in the Company at an issue price of \$0.14 per share under a Placement to the clients of Martin Place Securities Pty Limited to be completed in early June 2008.

K2 Energy Limited will subject to shareholder approval under Listing Rule 7.1 place another 10,200,000 ordinary shares in the Company at an issue price of \$0.14 per share under a Placement to the clients of Martin Place Securities Pty Limited to be completed within 3 months of shareholder approval.

As part consideration for Martin Place Securities Limited placing the shares on behalf of K2 Energy Martin Place Securities Pty Limited will be issued with 4,000,000 options with an exercise price of A\$0.20 each to be exercised by 30 June 2010.

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+ See chapter 19 for defined terms.

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>All 22,000,000 ordinary shares issued pursuant to the Placement will rank equally with the current shares on issue.</p> <p>All ordinary shares issued pursuant to an exercise of the options will rank equally with ordinary shares on issue at the time of exercise.</p>								
<p>5 Issue price or consideration</p>	<p>A\$0.14 per ordinary share. Options – nil issue price.</p>								
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The purpose of the issue is to raise working capital for the company's conventional oil and gas projects in the USA, as well as the further development of its shale gas project in Oklahoma, USA.</p>								
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>Holding certificates will be issued as shares are placed. Holding certificates for the first placement of 11,800,000 ordinary shares will be issued in early June 2008.</p>								
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="779 1316 1065 1346">Number</th> <th data-bbox="1065 1316 1346 1346">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="779 1346 1065 1375">140,854,903</td> <td data-bbox="1065 1346 1346 1375">Ordinary</td> </tr> <tr> <td data-bbox="779 1375 1065 1444">12,298,000</td> <td data-bbox="1065 1375 1346 1444">20¢ options expiring 31.12.08</td> </tr> <tr> <td data-bbox="779 1444 1065 1554">29,997,500</td> <td data-bbox="1065 1444 1346 1554">20¢ options expiring 30.09.09</td> </tr> </tbody> </table>	Number	+Class	140,854,903	Ordinary	12,298,000	20¢ options expiring 31.12.08	29,997,500	20¢ options expiring 30.09.09
Number	+Class								
140,854,903	Ordinary								
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29,997,500	20¢ options expiring 30.09.09								

	Number	+Class	
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	4,000,000	20¢ options expiring 30.06.10
		2,000,000	40¢ options expiring 31.12.08
		500,000	70¢ options expiring 31.12.08
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	No change	

## Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	Not applicable
12	Is the issue renounceable or non-renounceable?	Not applicable
13	Ratio in which the +securities will be offered	Not applicable
14	+Class of +securities to which the offer relates	Not applicable
15	+Record date to determine entitlements	Not applicable
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17	Policy for deciding entitlements in relation to fractions	Not applicable
18	Names of countries in which the entity has +security holders who will not be sent new issue documents  <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	Not applicable
19	Closing date for receipt of acceptances or renunciations	Not applicable

20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
22	Names of any brokers to the issue	Not applicable
23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	Not applicable
25	If the issue is contingent on +security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	Not applicable
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	Not applicable
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable

- 32 How do +security holders dispose of their entitlements (except by sale through a broker)?
- 33 +Despatch date

### Part 3 - Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

- 34 Type of securities  
(tick one)
- (a)  Securities described in Part 1 (**22,000,000 ordinary shares only**)
- (b)  All other securities  
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

#### Entities that have ticked box 34(a)

#### Additional securities forming a new class of securities

*Tick to indicate you are providing the information or documents*

- 35  If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36  If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories  
 1 - 1,000  
 1,001 - 5,000  
 5,001 - 10,000  
 10,001 - 100,000  
 100,001 and over
- 37  A copy of any trust deed for the additional +securities

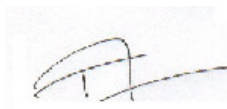
**Entities that have ticked box 34(b)**

38	Number of securities for which +quotation is sought	Not applicable				
39	Class of +securities for which quotation is sought	Not applicable				
40	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?  If the additional securities do not rank equally, please state: <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	Not applicable				
41	Reason for request for quotation now  Example: In the case of restricted securities, end of restriction period  (if issued upon conversion of another security, clearly identify that other security)	Not applicable				
42	Number and +class of all +securities quoted on ASX ( <i>including</i> the securities in clause 38)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">+Class</th> </tr> </thead> <tbody> <tr> <td style="height: 60px;"></td> <td></td> </tr> </tbody> </table>	Number	+Class		
Number	+Class					

+ See chapter 19 for defined terms.

## Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
  - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
  - There is no reason why those +securities should not be granted +quotation.
  - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.  
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
  - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
  - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here: ..... Date: 22nd May 2008  
Company Secretary

Print name: Terence Anthony Flitcroft