

July 5, 2010

ASX ANNOUNCEMENT

Solar Program

To update shareholders and the market on the progress of K2's solar program, a presentation is being released to the ASX today. The highlights are:

- The optical characterisation milestone has 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 PV solar cell manufacturers scheduled for 2011,
- The head of Mears Technologies Inc., Dr Robert Mears, has agreed to join K2's Board of Directors.

In summary, K2 expects that MST™ solar cell will result in a PV solar cell, which is 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.

The Mears' technology also delivers higher performance in silicon computer chips, with significantly lower power consumption and generation of less heat. The technology can lead to longer battery life and less heat in computer devices.

OIL AND GAS

As previously announced, 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 1 Resources LLC.

The 2010 financial year accounts are expected to report a loss of approximately \$3.7 million, which includes a loss as a result of the deconsolidation of K2 USA Inc. (approximately \$0.9 million) and depreciation, amortisation and expired lease expenses in respect of the company's USA oil and gas assets (approximately \$1.5 million).

Peter Moore has resigned as a director to pursue other interests. The Board thanks him for his contribution to the company and the time and effort he devoted to the company.

The company intends to review its future capital requirements and will update the market once this review is completed.