



A.C.N. 106 609 143

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of members of K2 Energy Limited (the "Company") will be held at Austin Room, Level 8, 1 Alfred St, Sydney, NSW 2000 on Tuesday 23<sup>rd</sup> November 2010 at 10am for the purpose of transacting the business set out in this Notice.

### BUSINESS

#### **Item 1– Financial Statements**

To consider and receive the Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2010.

#### **Item 2– Remuneration Report**

To adopt the Remuneration Report for the year ended 30 June 2010.

#### **Item 3- Election of Director- (Dr Robert Mears)**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Dr Robert Mears having been appointed since the last General Meeting of shareholders, retires in accordance with the Company's Constitution, and being eligible, be re-elected as a Director of the Company."

#### **Item 4- Election of Director- (Mr Ken Gaunt)**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Ken Gaunt, being a Director who retires by rotation, in accordance with the Company's Constitution, and being eligible, be re-elected as a Director of the Company."

#### **Item 5 – Issue of Options to Balander Pty Limited (a company associated with Mr Samuel Gazal- a Director of the Company)**

To consider and, if thought fit, to pass, the following ordinary resolution:

"That, for the purpose of Listing Rule 10.11 of the Listing Rules of the ASX Limited and for all other purposes, the members of the Company approve and authorise the grant of 4,000,000 options over unissued ordinary shares with an exercise price of \$0.20 per option, by the Company to Balander Pty Limited (a company associated with Mr Samuel Gazal, a director of the Company) and such other related parties it so nominates, on the terms and conditions described in the Explanatory Note."

**Summary of the Resolution:** Under Listing Rule 10.11 of the Listing Rules of the ASX Limited, shareholders must approve any issue of equity securities to a "related party", unless an exception applies. This resolution needs the approval for the grant of options over unissued ordinary shares in the Company to Balander Pty Limited, a company associated with Mr Gazal, a "related party" of the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by:

- Mr Samuel Gazal and Balander Pty Limited; and
- any associate of Mr Samuel Gazal and Balander Pty Limited.

However, the Company need not disregard a vote if:

1. it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; and
2. it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

**Item 6 – Issue of Options to Blazzed Pty Limited (a company associated with Mr Ken Gaunt- a Director of the Company)**

To consider and, if thought fit, to pass, the following ordinary resolution:

“That, for the purpose of Listing Rule 10.11 of the Listing Rules of the ASX Limited and for all other purposes, the members of the Company approve and authorise the grant of 2,000,000 options over unissued ordinary shares with an exercise price of \$0.20 per option, by the Company to Blazzed Pty Limited (a company associated with Mr Ken Gaunt, a director of the Company) and such other related parties it so nominates, on the terms and conditions described in the Explanatory Note.”

**Summary of the Resolution:** Under Listing Rule 10.11 of the Listing Rules of the ASX Limited, shareholders must approve any issue of equity securities to a “related party”, unless an exception applies. This resolution needs the approval for the grant of options over unissued ordinary shares in the Company to Blazzed Pty Limited, a company associated with Mr Gaunt, a “related party” of the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by:

- Mr Ken Gaunt and Blazzed Pty Limited; and
- any associate of Mr Ken Gaunt and Blazzed Pty Limited.

However, the Company need not disregard a vote if:

1. it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; and
2. it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

**Appointment of Proxy**

- (a) A member who is unable to attend and vote at the meeting may appoint a proxy by completing and returning the attached proxy form in the manner provided below. The proxy need not be a member of the Company.
- (b) If a member wishes to appoint a proxy, and is entitled to cast 2 or more votes, then the member may appoint 2 proxies, and may specify the proportion or number of votes each proxy may cast.
- (c) A proxy form (and the power of attorney (if any) under which it is signed) must be received at the registered office of the Company not less than 48 hours before the time of the holding of the meeting:
  - By hand: Registries Limited - Level 7, 207 Kent Street, Sydney, NSW, 2000
  - By mail: Registries Limited - GPO Box 3993, Sydney NSW, 2001
  - By facsimile: (02) 9290 9655

### **Corporate Representatives**

Corporate members must either:

- appoint a proxy as set out above; or
- appoint a body corporate representative in accordance with the Corporations Act.

The appointment of a body corporate representative must be produced at the meeting.

### **Entitlement to Vote**

For the purpose of the meeting, those members holding shares at 7pm on 19<sup>th</sup> November 2010 will be voting members at the meeting.

### **Further Information**

This Notice should be read in conjunction with the Explanatory Note.

By the Order of the Board of Directors.

A handwritten signature in black ink, appearing to be 'T. A. Flitcroft', written over a light grey rectangular background.

T. A. Flitcroft  
Company Secretary  
Dated: 21<sup>st</sup> October 2010

## EXPLANATORY NOTES ON ITEMS OF BUSINESS

### **Item 1: Financial Statements**

As required by section 317 of the Corporations Act 2001 (Cth) (the “Act”), the Financial Report, the Directors’ Report and the Auditor’s Report of the Company for the most recent financial year will be laid before the meeting. Shareholders will be provided with a reasonable opportunity to ask questions about or make comments on the management of the Company however, there will be no formal resolution put to the meeting.

### **Item 2: Remuneration Report**

The Directors’ Report for the year ended 30 June 2010 contains a Remuneration Report, which sets out the remuneration policy for the Company and reports on the remuneration arrangements in place for Directors and certain senior executives.

The Act requires that the agenda for this Annual General Meeting include a resolution for the adoption of the Remuneration Report. The vote on the resolution is advisory only and is not binding on the Directors or the Company.

Shareholders will be provided with a reasonable opportunity to ask questions about and make comments on the Remuneration Report.

### **Item 3: Election of Director**

Pursuant to the Company’s Constitution, Dr Robert Mears will retire as a Director at the Annual General Meeting and offer himself for re-election.

Dr Robert Mears (BA & MA Physics (Oxford); Ph.D. (University of Southampton)), is recognised worldwide as one of the world’s leading experts in photonics – the synthesis of electronics and optical communication. Dr Mears is a Director of Mears Technologies Inc.

In the 1980’s Dr Mears addressed the challenge of increasing the capacity and speed of data transmission of fibre optic cables in the telecommunications industry by inventing an optical amplifier, known as the Erbium Doped Amplifier (“EDFA”). EDFA technology increased usable capacity of optical fibre by more than 1000 times. It was and remains a key enabling technology of the internet.

If re-elected, Dr Robert Mears will continue as a Director and be subject to retirement by rotation in accordance with the Company’s Constitution.

The Board, with the exception of Dr Mears, unanimously recommends that Shareholders vote in favour of the re-election of Dr Mears.

### **Item 4: Election of Director**

Pursuant to the Company’s Constitution, Mr Ken Gaunt will retire as a Director at the Annual General Meeting and offer himself for re-election.

Ken has enjoyed significant commercial success since founding Electronic Banking Solutions Pty Ltd in 1998. As Managing Director, Ken developed the business before merging with Cash Card Australia Limited in 2003. Ken has been director of Cash Card Australia Limited and is an investor in many successful businesses in Australia and elsewhere. Ken was a board member and Australia’s representative of the ATM industry association and was a member of the customer advisory board of National Cash Register Company Limited.

If re-elected, Mr Ken Gaunt will continue as a Director and be subject to retirement by rotation in accordance with the Company's Constitution.

The Board, with the exception of Mr Gaunt, unanimously recommends that Shareholders vote in favour of the re-election of Mr Gaunt.

### **Item 5: Issue of Options**

ASX Listing Rule 10.11 provides that a company may not issue "equity securities" to a related party without shareholder approval. An "equity security" includes an option over unissued ordinary shares.

Balander Pty Limited is associated with Mr Samuel Gazal, a director of K2 Energy Limited and, as such, is a related party of K2 Energy Limited ("**K2 Energy**").

K2 Energy is proposing to issue options over 4,000,000 unissued ordinary shares in K2 Energy in total to Balander Pty Limited (**Options**). The issue provides a long-term incentive to Balander Pty Limited and through that company Mr Gazal as a director of the company. As at the date of this Notice of Meeting, K2 Energy has 209,048,067 ordinary shares on issue. As at the date of this notice Balander Pty Limited holds 7.6 million shares in the Company. No cash or other form of consideration will be required to be made by Balander Pty Limited or its nominee for the issue of the Options.

Any funds raised on the exercise by Balander Pty Limited or its nominee of the Options will be used for general working capital purposes.

Each of the directors of the Company (other than Mr Gazal) recommends that shareholders approve the issue of the Options to Balander Pty Limited or its nominee.

### **Terms of Issue**

The Options will be issued to Balander Pty Limited or its nominee on the following terms:

- The 4,000,000 Options will be issued within 1 month from the date of the member's meeting to approve the issue of the options to Balander Pty Limited or its nominee.
- The exercise price per Option will be a fixed price of 20 cents. Each Option exercised entitles the option holder to be issued with one new ordinary share.
- The Options will expire on 31 December 2014.
- If at any time prior to the exercise of any of the Options, there is a reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of K2 Energy, the outstanding Options will be reorganised in the manner required by the Listing Rules of the ASX Limited on a reconstruction of capital at the time of the reconstruction.
- If K2 Energy makes a bonus issue of securities, each outstanding Option confers on each option holder the right to receive on exercise of those outstanding Options an allotment of additional securities, which the option holder would have received if it had participated in that bonus issue.
- The Options are not to be quoted on the ASX.

- The Options cannot be exercised before 1 January 2011 unless:
  - A takeover bid is announced for all or part of the shares in K2 Energy; or
  - the board of K2 Energy announces, and the majority of directors recommend, a proposed scheme of arrangement pursuant to which immediately following the implementation of the scheme of arrangement a third party will acquire and/or be the holder of all of the ordinary shares in K2 Energy; or
  - any other proposal is announced which involves a third party acquiring all or a majority interest in K2 Energy's ordinary shares.
- The option holder cannot participate in new issues without exercising the Options.
- The Options are not to be quoted on the ASX.

#### **Item 6: Issue of Options**

ASX Listing Rule 10.11 provides that a company may not issue "equity securities" to a related party without shareholder approval. An "equity security" includes an option over unissued ordinary shares.

Blazzed Pty Limited is associated with Mr Ken Gaunt, a director of K2 Energy Limited and, as such, is a related party of K2 Energy Limited ("**K2 Energy**").

K2 Energy is proposing to issue options over 2,000,000 unissued ordinary shares in K2 Energy in total to Blazzed Pty Limited (**Options**). The issue provides a long- term incentive to Blazzed Pty Limited and through that company Mr Gaunt as a director of the company. As at the date of this Notice of Meeting, K2 Energy has 209,048,067 ordinary shares on issue. As at the date of this notice Blazzed Pty Limited holds 6.240 million shares and Mr Gaunt holds 4,259,260 shares in the Company. No cash or other form of consideration will be required to be made by Blazzed Pty Limited or its nominee for the issue of the Options.

Any funds raised on the exercise by Blazzed Pty Limited or its nominee of the Options will be used for general working capital purposes.

Each of the directors of the Company (other than Mr Gaunt) recommends that shareholders approve the issue of the Options to Blazzed Pty Limited or its nominee.

The Options will be issued to Blazzed Pty Limited or its nominee on the following terms:

- The 2,000,000 Options will be issued within 1 month from the date of the member's meeting to approve the issue of the options to Blazzed Pty Limited or its nominee.
- The exercise price per Option will be a fixed price of 20 cents. Each Option exercised entitles the option holder to be issued with one new ordinary share.
- The Options will expire on 31 December 2014.

- If at any time prior to the exercise of any of the Options, there is a reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of K2 Energy, the outstanding Options will be reorganised in the manner required by the Listing Rules of the ASX Limited on a reconstruction of capital at the time of the reconstruction.
- If K2 Energy makes a bonus issue of securities, each outstanding Option confers on each option holder the right to receive on exercise of those outstanding Options an allotment of additional securities, which the option holder would have received if it had participated in that bonus issue.
- The Options are not to be quoted on the ASX.
- The Options cannot be exercised before 1 January 2011 unless:
  - A takeover bid is announced for all or part of the shares in K2 Energy; or
  - the board of K2 Energy announces, and the majority of directors recommend, a proposed scheme of arrangement pursuant to which immediately following the implementation of the scheme of arrangement a third party will acquire and/or be the holder of all of the ordinary shares in K2 Energy; or
  - any other proposal is announced which involves a third party acquiring all or a majority interest in K2 Energy's ordinary shares.
- The option holder cannot participate in new issues without exercising the Options.
- The Options are not to be quoted on the ASX.