

24th December 2010

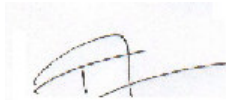
The Manager
ASX Company Announcements
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

K2 Energy Limited (KTE) Share Trading Policy

Please find attached the K2 Energy Limited Share Trading Policy.

Yours faithfully



Terence Flitcroft
Company Secretary

TRADING IN K2 ENERGY LIMITED SHARES

PURPOSE

This policy provides the summary of insider trading restrictions and the procedure to be followed when dealing with the Company shares or securities in other companies.

SCOPE

K2 Energy values its integrity and the Company expects Directors and employees to demonstrate this when dealing with Company securities.

K2 Energy shares its information with staff on how the business is going and some staff because of their duties are also privy to confidential information.

The Corporations Act prohibits the buying or selling of shares (or other securities) based on "Inside Information" (information not generally known to the market and, if known publicly, would likely have a material impact on the price of shares)¹ It also prohibits directors and executives from using information gained in their capacity for their own advantage.² As a listed company the ASX requires Directors to inform the market of changes in their interest in Company securities within five business days.³

The laws governing the ability of 'Insiders' to buy and sell securities are called 'insider trading rules' and breach of these rules can be a crime that can be the subject of a prison sentence. *Basically no- one is allowed to buy or sell securities when they have material, price sensitive information not known to the investing 'public'.*

PROCEDURE

POLICY REGARDING BUYING AND SELLING K2 ENERGY'S SHARES

The Company acknowledges that from time to time, Directors and members of Management and Staff may in the course of their duties become aware of Inside Information in respect of the Company.

The Company also acknowledges that from time to time, Directors and members of Management and Staff may in the course of their duties become aware of Inside Information in respect of other companies that the Company may be negotiating with.

1. Insider Trading (all Employees and all Directors)

The Company requires Directors, Management and Staff not to buy or sell the Company's shares (or other securities) at any point in time where the person involved has knowledge which constitutes Inside Information. This requirement also includes a restriction not to trade in other company securities where Inside Information has been obtained in relation to negotiations that the Company may be involved in.

2. Additional Restriction for Directors & Certain Employees (Designated Officers only)

Additional restrictions apply to the Directors and certain employees - "Designated Officers".

The **Directors** include all members of the Board and the Company Secretary.

The **Designated Officers** include:

- Chief Executive Officer (or similar)
 - Senior Executive Team
 - Employees specifically notified by the CEO or the Company Secretary
- 2.1 Directors and Designated Officers are NOT permitted to buy or sell shares in the Company other than specifically approved by the Board during the period commencing on the last day of the quarter and ending 24 hours after the release of the quarterly cash report announcement.
- 2.2 Directors and Designated Officers are permitted to buy or sell shares in the Company at any other time so long as they:
- 2.2.1 are not in possession of "Inside Information" (as the insider trading prohibitions continue to apply at all times); and
 - 2.2.2 follow the Notification Requirements set out in point 3 below
- 2.3 Short term buying and selling of shares in the Company should be avoided where possible. Designated officers are not permitted to buy and sell shares in the Company within any 3 month period, unless approval is provided by the Board. Directors are permitted to buy and sell shares in the Company provided they comply with all other requirements herein, as they are subject to ASX disclosure requirements.

3. Notification Requirements – Directors and Designated Officers Only

- 3.1 Where a Designated Officer intends to buy or sell shares in the Company, that person is required first to notify the Chairman and the Company Secretary.
- 3.2 Where the Director intends to buy or sell shares in the Company, that person is required first to notify the Chairman and the Company Secretary.
- 3.3 Where the Chairman intends to buy or sell shares in the Company, that person is required first to notify either two Directors or a Director and the Company Secretary.
- 3.4 All notifications must be in writing (includes email).

The officers of K2 Energy to whom the intention to buy or sell shares must first be notified are not authorised to prevent persons from trading, but will provide guidance as to whether or not, in their opinion, the person should trade at that particular time. The Company (via the Company Secretary) requires subsequent confirmation of the trading that has occurred.

Should a staff member choose to ignore the above guidance, then they may have to show cause to the Board of Directors.

Directors and all employees are reminded that it is inappropriate to procure others to buy or sell shares in the Company (e.g. friends, associates) when the director/employee is precluded from buying or selling, and are also reminded of the need to enforce confidentiality against external advisers.

4. Loan Security, Margin Loans & Share Lending Arrangements – Directors and Designated Employees

A Director or Designated Officer is prohibited from using the Company's shares:

- 4.1 as security in any loan arrangement where the shares or rights to shares have yet to vest or be issued to you.
- 4.2 in any margin loan arrangements (including where the loan terms are a function of the K2 Energy share price) unless prior approval is provided by the Board of Directors.
- 4.3 to engage in any share lending arrangements, unless prior approval is provided by the Board of Directors.