

15th May 2012

SHARE PLACEMENT AND SHARE PURCHASE PLAN

SHARE PLACEMENT

K2 Energy Limited (ASX: KTE) (“K2”) is pleased to advise that it has completed a placement of 31.333 million new ordinary shares to institutional and sophisticated investors at \$0.03 per share to raise \$940,000 before costs (“Placement”).

The proceeds of Placement will be applied to fund K2’s further investment in Mears Technologies Inc. (“Mears”) and provide the Company with additional working capital.

Upon K2’s investment, Sam Gazal, Chairman of K2, will join the Board of Mears.

K2 Chairman Mr Sam Gazal commented: “We are delighted to receive strong support from existing and new institutional investors in K2 Energy demonstrating our decision to continue with funding support of Mears Technologies and the proposal to commence merger negotiations. Funds raised from the placement will contribute to the commercialisation strategy and activities of Mears’ chip technology with clear milestones set in place over the next 6-9 months.”

Foster Stockbroking Pty Ltd acted as Lead Manager to the Placement.

SHARE PURCHASE PLAN

At the same time the board of directors considered the position of its existing shareholders and looked for a way to offer all shareholders the opportunity to participate in this investment at the same price as the sophisticated investors, who are taking shares in the Placement.

As a result the Company is also pleased to announce in accordance with paragraph 7(f)(B) of ASIC Class Order 09/425 that it has established a share purchase plan (“SPP”) and that it will offer shareholders, who are on the Company’s share register as at 5.00pm (Sydney time) on Monday 14th May 2012 (the “Record Date”) an invitation to participate in the SPP to increase their holding in the Company at a price of \$0.03 per share.

Formal SPP documents and application forms, which allow shareholders to purchase additional ordinary shares under the SPP will be posted to shareholders, who are on the register at the Record Date.

The indicative timetable for the SPP is set out below:

Record Date	14 th May 2012
Announcement of Share Purchase Plan	15 th May 2012
Dispatch of Offer	21 st May 2012
Share Purchase Plan offer closes	15 th June 2012
Allotment and Issue of Shares	22 nd June 2012

The terms and conditions of the Company's Share Purchase Plan are contained in the K2 Energy Limited Share Purchase Plan Rules.

MERGER PROPOSAL WITH MEARS TECHNOLOGIES INC.

K2 announced on 4th April 2012 that it had executed a non-binding Memorandum of Understanding ("MOU") with Mears Technologies Inc. ("Mears") to commence negotiations regarding a possible merger of the two companies.

Mears has recently begun exploring opportunities to list in Australia on the Australian Securities Exchange and given K2 is currently a major shareholder, holding 8% of Mears and having 15% on a fully diluted basis, both companies view a merger transaction and listing via K2's ASX listing as a transaction that could benefit the shareholders of both K2 and Mears.

Mears and K2 over the coming months intend to conduct negotiations regarding a possible merger of the two companies, on terms to be agreed between the parties. It is the present intent of the parties that the merged entity would be listed on the Australian Securities Exchange, retaining the listing currently held by K2 however under the name of Mears Technologies. Mears and K2 have agreed to use best endeavours to negotiate a successful merger of the two companies.

MEARS TECHNOLOGIES INC. BACKGROUND

Mears is a Company that is at the cutting edge of the \$300+ billion computer chip industry that has over the past four months positioned itself to commercialize 10 years of Research and Development in chip technology.

MST has been demonstrated to reduce gate leakage and increase drive current (improving power and performance) in CMOS semiconductors. It also has the benefit of reducing variability in key parameters, addressing one of the most significant problems facing the industry as it continues to scale to smaller device geometries and works to improve yield, power and performance of leading products.

The Mears Board has recently implemented major changes to the Company's structure to assist in the commercialisation of the Company's chip technology with clear milestones set in place over the next 6-9 months. These changes include:

- **New Management Team:** In the last four months Mears engaged a new senior management team with significant semiconductor industry commercial track records and senior executive experience at Texas Instruments, KLA-Tencor, SyChip-Murata, Corning, and Sematech. The new team has rewritten the MST Business Plan and has started their work to move the MST technology from the development laboratory to a sound commercial track.
- **Multi-track Commercialisation Activities:** The new multi-track commercialisation program has been ongoing for only several months and is already showing significant promise and results, as an effective change from the previous single-track / Integrated Device Manufacturer only approach.
- **Burn Rate Reductions and Restructure:** The restructuring of Mears reduced the Company's cash burn but at the same time protected key skills and know-how within the Company critical to executing on the multi-track commercialisation activities. The organisation was streamlined and the reporting lines changed with engagement of a new CEO.

The revised commercialisation strategy involves a more aggressive, multi-track approach, engaging broader activity in the industry to cross-pollinate the various tracks, raise MST's profile, and promote MST demand in the marketplace.