

K2 ENERGY LIMITED

ABN 99 106 609 143

Share Purchase Plan Rules

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1 Purpose

- 1.1 The purpose of this Plan is to provide holders of Shares with the opportunity to acquire up to \$15,000 worth of Shares in any consecutive 12 month period whilst the Company is listed on ASX.

2 Definitions

- 2.1 In this Plan, unless the context calls for another meaning:

ASX means the Australian Securities Exchange.

ASX Listing Rules means the Listing Rules of ASX Limited.

Board means the board of directors of the Company.

Closing Date means the date specified as such in an Offer, as varied by the Board in its discretion.

Company means K2 Energy Limited ABN 99 106 609 143.

Eligible Shareholder means a shareholder of the Company eligible to participate in the Offer as determined under clause 4.

Issue Price means the subscription price for each Share determined in accordance with clause 5.5 and specified in each Offer.

Market Price has the same definition as is given to that term in the ASX Listing Rules.

Offer means a non-renounceable offer of fully paid ordinary shares in the Company to Eligible Shareholders under the Plan on such terms as the Board determines from time to time.

Plan means the K2 Energy Limited Share Purchase Plan as approved by the Board from time to time.

Record Date means the date specified as such in an Offer.

Rules means these rules of the Plan as varied from time to time.

Shares means new fully paid ordinary shares in the Company issued under the Plan.

Interpretation

- 2.2 In these Rules, unless a contrary intention appears:

- (a) the singular includes the plural and vice versa and a reference to a gender includes other genders;
- (b) a reference to a person includes a corporation, firm or body of persons recognised by law and that person's successors, assignors and legal personal representatives;
- (c) references to time are to Sydney time; and
- (d) other grammatical forms of defined terms or phrases have corresponding meanings.

3 Commencement

- 3.1 The Plan and these Rules commence operation on such date as the Board in its sole discretion determines.

4 Eligibility to Participate

- 4.1 Subject to clauses 4.2 and 4.3, those shareholders of the Company who will be eligible to apply for Shares under an Offer (the *Eligible Shareholders*) will be those shareholders who:
- (a) are recorded as a holder of shares in the Company's register of members at 5 p.m. on the relevant Record Date for that Offer; and
 - (b) have an address in a jurisdiction in which in the Board's reasonable opinion it is lawful and practical for the Company to offer and issue the Shares.
- 4.2 If two or more persons are recorded in the register of members as jointly holding shares in the Company, they will be taken to be a single registered holder for the purposes of the Plan. A certification by any of them in accordance with clause 5.6 will be taken to be a certification by all of them.
- 4.3 If a trustee or nominee is noted on the register of members as holding shares on account of a named beneficiary:
- (a) the beneficiary is taken to be the registered holder in respect of those shares for the purposes of the Plan; and
 - (b) any application for Shares under the Plan or certification in accordance with clause 5.6 by, and any issue of shares to, the trustee or nominee, will be taken to be an application or certification by, or an issue to, the beneficiary.
- 4.4 The Board is entitled to make a final determination as to whether any particular shareholder is an Eligible Shareholder within the terms of these Rules or not, and to change any such determination, as and when it sees fit. In making this determination, the Board may consider, among other things, whether such participation would or may be impracticable, impossible or illegal and any actual or anticipated inconvenience or expense in allowing, or investigating the possibility of allowing, such participation.
- 4.5 An Offer does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

5 Offer of Shares

- 5.1 The Company may make Offers of Shares to Eligible Shareholders under the Plan from time to time on such terms as determined by the Board. The Company may cancel an Offer in its discretion.
- 5.2 Eligible Shareholders may apply only for up to a maximum of \$15,000 (or such other maximum amount permitted by law) worth of Shares under the Plan or any similar arrangements in any consecutive 12 month period, subject to any limitations contained in any Offers.

- 5.3 Each Offer made to an Eligible Shareholder is personal to that Eligible Shareholder, and is non-renounceable and may not be transferred to any other person.
- 5.4 The Company may limit the total number of Shares to be issued under the Plan, and may scale back excess applications in its discretion. Applicants agree that they may be issued fewer Shares than they have applied for, in which case excess application money will be refunded without interest.
- 5.5 The Issue Price of the Shares will be determined by the Board and specified in the Offer, but will be at least 80% of the average Market Price of the Company's shares on the ASX during the last 5 trading days on which sales of Shares were recorded before the date on which the Offer is announced or the date of the issue of the Shares (as selected by the Board).
- 5.6 By accepting an Offer and applying for Shares under the Plan, an Eligible Shareholder certifies that the aggregate of the Issue Price for Shares applied for under the Plan, and any other shares applied for by that Eligible Shareholder under the Plan or any similar arrangement in the 12 months before the application, does not exceed \$15,000 even though that Eligible Shareholder may have received more than one Offer under the Plan or received an Offer in more than one capacity under the Plan.
- 5.7 By accepting an Offer and applying for Shares under the Plan, an Eligible Shareholder acknowledges that:
- (a) the Issue Price will be at least 80% of the average Market Price of the Company's shares on the ASX during the last 5 trading days on which sales of Shares were recorded before the date on which the Offer is announced or the date of the issue of the Shares (as selected by the Board); and
 - (b) there is a risk that the Market Price of the Shares may change between the date of the Offer and the date of issue of Shares, which makes it possible that Shares in the Company could be purchased on ASX for less than the Issue Price and Eligible Shareholders acquiring Shares under the Plan may not be able to sell those Shares at or above the Issue Price paid for the Shares.
- 5.8 No more than one offer may be made under the Plan in any consecutive 12 month period, and such offer must be limited to no more than 30% of the issued capital of the Company, without shareholder approval.
- 5.9 No fractions of Shares shall be issued. The Board may determine on what basis fractional entitlements will be dealt with at the time of issue.

6 Issue of Shares

- 6.1 The Board reserves the right to refuse an application for Shares under the Plan if it considers that the applicant is not an Eligible Shareholder or has not otherwise complied with the terms of the Plan. If an application is refused, the application monies received will be refunded without interest.
- 6.2 Subject to clause 6.1, Shares will be issued no later than 15 business days after the Closing Date of an Offer.
- 6.3 Shares allotted under the Plan will rank equally in all respects with all other fully paid ordinary shares in the Company on the date of issue.
- 6.4 The Company will apply for quotation on the ASX of Shares issued under the Plan.

7 Modification and Termination of the Plan

- 7.1 The Directors may at any time resolve to:
- (a) vary the Plan and any agreement relating to the Plan in compliance with the *Corporations Act 2001(Cth)*;
 - (b) suspend the operation of the Plan; or
 - (c) terminate the Plan.
- 7.2 Any variation, suspension or termination made in accordance with clause 7.1:
- (a) subject only to clause 7.3, will be effective from the date of such resolution or otherwise from a date determined by the Directors; and
 - (b) will not give rise to any liability on the part of or right of action against the Company or the Directors.
- 7.3 The Directors may at any time prescribe the manner in which notice to Shareholders of any variation, termination or suspension of the Plan will be given or deemed to have been given to Shareholders, including, without limitation, by an announcement by the Company to ASX, which notice will be effective immediately on the giving of that notice of variation, suspension or termination in the manner so prescribed by the Directors.
- 7.4 The accidental omission to give notice of any variation, suspension or termination of the Plan to any Shareholders in the manner so prescribed by the Directors pursuant to clause 7.3 or, where applicable, the non-receipt of any such notice by any Shareholders will not invalidate the variation, suspension or termination of the Plan.

8 General

- 8.1 The Plan will be administered by the Board or a committee of the Board and will have an absolute discretion to:
- (a) determine appropriate procedures for administration of the Plan consistent with these terms;
 - (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan or these terms; and
 - (c) delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of their powers or discretions under the Plan or these terms.
- 8.2 Participants are at all times bound by the Rules of the Plan as modified from time to time.
- 8.3 A notice under these Rules is validly given if handed to the addressee or posted by ordinary post and addressed to the addressee at his or her last known residential or registered address, or sent by facsimile or e-mail in accordance with the Company's constitution.
- 8.4 The Plan will operate until terminated by the Board.
- 8.5 These terms are governed by and construed in accordance with the laws of the State of New South Wales.