

21st May 2012

K2 ENERGY LIMITED SHARE PURCHASE PLAN OFFER DOCUMENT

Dear Shareholder,

K2 Energy Limited (ASX: KTE) (“K2”) has in the past week 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 were applied to fund K2’s further investment in Mears Technologies Inc. (“Mears”) and provide the Company with additional working capital.

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 these investors, who have taken the placement of shares.

As a result K2 is pleased to announce a Share Purchase Plan, which offers existing shareholders the opportunity to participate in the capital raising up to a maximum of \$1,880,000. Thus the Share Purchase Plan (the “Plan”) offer gives you the opportunity to acquire further ordinary shares in K2 Energy (“new shares”). No brokerage or other charges will apply to shares acquired under this Plan.

This Offer Document sets out the terms and conditions of the offer under the Plan. By applying for new shares under the Plan, you will have agreed to be bound by the terms and conditions set out in this Offer Document.

Applications to acquire new shares under the Plan must be made on the Application Form which accompanies this Offer Document. Applications and payment for new shares must be received by the share registry by 5.00pm Sydney time on 15th June 2012 (“Closing Date”).

SUMMARY

- Eligible shareholders entitled to purchase up to \$15,000 of ordinary new shares
- Issue Price will be \$0.03 per ordinary new share
- Application will be made for the listing on the Australian Securities Exchange of securities offered pursuant to this SPP
- No brokerage or additional transaction costs
- Offer closes 5.00pm (Sydney time) on 15th June 2012

PARTICIPATION

Participation in the Plan is open to all shareholders registered as holders of ordinary shares of K2 at 5.00pm Sydney time on 14th May 2012 and whose address in K2's share register is in Australia or New Zealand.

The Board of K2 has determined it is not lawful or practical for shareholders in other jurisdictions to participate in the Plan.

Participation is entirely at the option of shareholders.

Offers made under the Plan are not renounceable. **This means that only the shareholder whose name is recorded on the register of shareholders may accept the offer under the Plan.** Shareholders cannot transfer their right to acquire shares under this offer to another person.

Each registered shareholder may apply under either Choice 1, which has fixed application amounts in the amounts of \$1,200, \$3,000, \$6,000, \$9,000 or \$15,000 or Choice 2, which allows shareholders to determine the amount of their application up to a maximum amount of \$15,000.

The Application Form includes pre-printed details of your name, as it is recorded on the register.

Each registered shareholder may only participate once in the offer up to the maximum limit of up to \$15,000. Joint holders may apply even if one or more of them have applied for new shares in their own right in respect of a separate holding.

If you have more than one registered holding and you hold shares in one or more of those holdings as trustee for a specified beneficiary, you may apply once on behalf of each specified beneficiary.

Some examples are given at the end of this Offer Document.

The Application Form includes a certification by the applicant, which is required by law, that the amount subscribed under this offer, together with amounts subscribed in any similar plan offer by K2 in the last 12 months by the applicant, does not exceed \$15,000.

Each applicant should be able to make the certification because no other Share Purchase Plan offer has been made in the past year by K2 Energy Limited.

K2 reserves the right to reject any application where the maximum application limit or any other term of the Plan has not been complied with.

PRICING

The price per share for each new share issued under this offer (“issue price”) is \$0.03. The issue price is equivalent to the average market price for K2 shares calculated over the last 5 days in which sales were recorded before the Share Placement and the Share Purchase Plan were announced.

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.

We recommend that you obtain your own financial advice in relation to this offer and consider price movements of shares in K2 before accepting this offer.

ALLOCATION OF SHARES

K2 is seeking to raise up to a maximum \$1,880,000 from the Plan offer. Shares will be issued to applicants until the maximum amount of \$1,880,000 is reached.

If offers for more than \$1,880,000 are received, the Board will scale back applications received to a maximum of \$1,880,000.

The Board may decide to issue to any person fewer shares than that person applied for under the Plan if the issue of those shares, either alone or in conjunction with the issue of shares under other applications received by K2, would contravene any law or the Listing Rules of ASX.

If a scale back is required for any reason, the Board of K2 may reduce the number of new shares, which any shareholder, or any group of shareholders, is entitled to apply for under the Plan in any manner it considers appropriate in its absolute discretion.

The Board of K2 reserves the right at its discretion to cancel the Plan at any time up to the time of issue of new shares under the Plan, or to extend the closing date.

If the Plan is cancelled, all application money received from shareholders will be returned to shareholders. If K2 issues a lesser number of new shares than a shareholder applied for, excess application money will be refunded to the shareholder, without interest. Any interest received on application money may be retained by K2 whether or not new shares are issued under the Plan.

K2 may make offers under the Plan in future years. However, at this time, the Board has not decided to make any offer other than the offer in this Offer Document.

ISSUE OF SHARES

Shares to be issued under the Plan will be issued within 12 business days after the Closing Date. Holding statements or continuation advices setting out the number of shares allocated to you should be received shortly after that date.

New shares issued under the Plan will rank equally in all respects with all other fully paid ordinary shares in K2 on the date of issue.

K2 will, promptly after issue of shares under this Plan, make application for the shares to be listed for quotation on the official list of the Australian Stock Exchange Limited.

COSTS OF PARTICIPATION

No brokerage, commissions or other transaction costs will be payable by participants in respect of the application for, and issue of, shares under the Plan.

DISPUTES

K2 may settle in any manner it thinks fit, any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any participant or application, and the decision of K2 will be conclusive and binding on all participants and other persons to whom the determination relates.

K2 reserves the right to waive strict compliance with any provision of these terms and conditions. The powers of K2 under these conditions may be exercised by the Directors or any delegate of the Directors.

A copy of the K2 Share Purchase Plan Rules can be found on the Company's website: www.k2energy.com.au

APPLICATION INSTRUCTIONS

To apply for new shares under this offer, please return the enclosed Application Form in accordance with the instructions on the form by 5.00pm Sydney time on 15th June 2012.

If you have any enquiries concerning the offer please contact BoardRoom Pty Limited on (02) 9290 9600 within Australia or 612 9290 9600 for New Zealand callers.

EXAMPLES OF PERMITTED APPLICATIONS

Registered Name recorded in Share Register	Who can apply for new shares?	Maximum dollar value of new shares
Jane Citizen	Jane Citizen	\$15,000
Michael Citizen and Jane Citizen	Michael Citizen and Jane Citizen	\$15,000
Michael Citizen as trustee for Mary Citizen	Michael Citizen as trustee for Mary Citizen	\$15,000
ABC Pty Ltd as trustee for Citizen Super Fund	ABC Pty Ltd as trustee for Citizen Super Fund	\$15,000
ABC Pty Ltd as trustee for Jane Citizen	ABC Pty Ltd may not apply for shares if Jane Citizen has already applied for new shares	Nil
XYZ Nominees Ltd (Client Account)	XYZ Nominees Ltd (Client Account)	\$15,000
XYZ Nominees Ltd as trustee for XYZ Investment Fund	XYZ Nominees Ltd as trustee for XYZ Investment Fund	\$15,000
XYZ Nominees Ltd	XYZ Nominees Ltd may not apply if it has applied for its Client Account holding (see above)	Nil

Record Date: 14 May 2012

Close Date: 15 June 2012

Issue Price \$0.03

A Offer Choice – Make your choice in the area marked Choice 1 OR Choice 2

Choice 1

Indicate your choice of offer below by marking one box only

<input type="checkbox"/>	Offer A 40,000 shares A\$1,200.00	<input type="checkbox"/>	Offer B 100,000 shares A\$3,000.00	<input type="checkbox"/>	Offer C 200,000 shares A\$6,000.00	<input type="checkbox"/>	Offer D 300,000 shares A\$9,000.00	<input type="checkbox"/>	Offer E 500,000 shares A\$15,000.00
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OR

Choice 2

Specify the number of Plan Shares applied for

Number of shares applied for _____ Plan Shares at \$0.03 cents

= A\$ _____ (Subject to a minimum of A\$501 and a maximum of \$15,000.00)

B Payment Details

Payment may only be made by BPAY or cheque. Cash will not be accepted via the mail or at the K2 Energy Limited Share Registry.

Payments cannot be made at any bank.

Payment Option 1 - BPAY



Biller Code:

Ref:

Telephone & Internet Banking - BPAY®

Contact your bank, credit union or building society to make this payment from your cheque or savings account.

More info: www.bpay.com.au

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- To pay via BPAY please contact your participating financial institution
- If paying by BPAY you do not need to return the Application Form
- If paying by BPAY the amount of your payment received in the account divided by the issue price will be deemed to be the total number of shares you are applying for. For your application to be valid you can only make payment for one of the amounts specified above in section A.

Payment Option 2 – Cheque

Record cheque details below

Drawer	Cheque Number	BSB Number	Account No.	Amount A\$

PAYMENT INSTRUCTIONS:

- Only cheques or bank drafts in Australian dollars and drawn on a bank or financial institution in Australia will be accepted.
- Your cheque or bank draft must be made payable to **K2 Energy Limited and crossed Not Negotiable.**
- Please ensure that you submit the correct amount. Incorrect payments may result in your application being rejected.

C Contact Details

Please provide a telephone number and contact name in case we need to contact you regarding your application.

Home telephone number	Work telephone number	Contact name

D Declarations and Acknowledgments

By lodging this form with your cheque you acknowledge and confirm that you have read, understood and agreed to the terms and conditions of the K2 Energy Limited Share Purchase Plan (SPP) and certify that the amount subscribed under this offer, together with other amounts subscribed in any similar plan offer by K2 Energy Limited in the last 12 months does not exceed \$15,000. K2 Energy Limited may settle in any manner it deems appropriate, any dispute or anomalies which may arise in connection with or by reason of the operation of the SPP, whether generally or in relation to any applicant or application of shares. The decision of K2 Energy Limited will be conclusive and binding on all persons to whom the determination relates. K2 Energy Limited reserves the right to waive compliance with any provision of the SPP terms and conditions. The Directors reserve the right to withdraw the offer of shares under the SPP, or reduce the amount of shares that may be subscribed for under the spp in any manner, at any time prior to allotment. Any excess application moneys will be refunded. No interest will be paid on any refunded application money.

NO SIGNATURE IS REQUIRED ON THIS FORM**THIS OFFER IS NON-RENOUNCEABLE**

Application Forms and cheques must be received no later than 5.00 pm (Sydney time) on 15 June 2012 at:

MAILING ADDRESS
Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

DELIVERY ADDRESS
Boardroom Pty Limited
Level 7
207 Kent Street
SYDNEY NSW 2000

You should allow sufficient time for this to occur. The postal acceptance rule does not apply to the SPP.