

31st January 2011

**QUARTERLY ACTIVITIES REPORT FOR THE QUARTER
ENDED 31st December 2010**

The Directors of K2 Energy Limited (ASX: KTE) provide the following report for the Quarter ended 31st December 2010.

MEARS SOLAR

K2 Energy Limited is pleased to update the market on the Company's solar program.

1. Solar cells are currently being fabricated for testing at a US based facility and Tei Solutions in Japan. This process is taking a few weeks longer than envisaged, however it is now nearing completion.
2. Both sets of solar cells will be tested by 15 March 2011. The revised date is due to third party vendor delays.

The MST™ technology involves the production of an altered or “nano-doped” layer of silicon that can be used in the manufacturing of silicon solar PV cells; a process already proven in traditional semiconductor manufacturing. This layer is introduced to increase the efficiency parameter for Photovoltaic (PV) technology and solar power generation in silicon PV cells. By improving the efficiency parameter, the use of MST™ technology in the PV cell development process reduces the amount of silicon required, potentially making PV cells significantly more efficient and much less expensive.

“The impact of the MST™ technology in the processing of silicon PV cells could greatly benefit solar manufacturers,” said Robert Mears, CEO of Mears Technologies.

In 2010, K2 Energy Limited, located in Sydney, Australia, acquired the exclusive rights to the MST™ IP for all solar applications from Mears Technologies. K2 has provided the funding necessary for the R&D required to test and develop Mears' MST™ technology for use by large-scale solar panel manufacturers.

MEARS TECHNOLOGIES INC.

K2 Energy increased its convertible note investment in Mears Technologies Inc. during the December 2010 quarter from USD\$1 million to USD\$1.45 million.

Mears Technologies is in the process of commercialisation evaluations of its technology with major silicon chip companies and the evaluation processes have gone well.

OIL AND GAS

KTE retains its shareholding in Trey Resources I LLC, a US-based limited liability company. During the quarter there was no expenditure incurred in relation to this investment.