

30<sup>th</sup> October 2012

**ACTIVITIES REPORT FOR THE QUARTER  
ENDED 30<sup>th</sup> SEPTEMBER 2012**

The Directors of K2 Energy Limited (ASX: KTE) (“K2”) provide the following report for the Quarter ended 30<sup>th</sup> September 2012.

K2 Energy Limited has an 8% shareholding in Mears Technologies Inc., with warrants which would increase its shareholding to 15% if exercised.

K2 announced on 4<sup>th</sup> 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 had been exploring opportunities to list in Australia on the Australian Securities Exchange and given K2 is currently a major shareholder of Mears, 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.

Subsequent to the end of the quarter, K2 announced on 22<sup>nd</sup> October that it had agreed merger terms with Mears Technologies Inc.

Shareholder approval will be sought for the proposed merger transaction, together with an approval to undertake a capital raising and for a change to the name from K2 Energy Limited to “Mears Technologies Limited”.

The general meeting to consider the Resolutions is expected to be held in December 2012

**MEARS TECHNOLOGIES INC.**

MST™ has been demonstrated to reduce gate leakage and increase drive current (performance) in CMOS semiconductors. It also has the benefit of reducing the increasing variability in key parameters, that is now one of the most significant problems facing the industry and which is limiting the yield, power and performance of leading products.

The company’s core competency combines materials engineering and quantum mechanics with semiconductor process technology, to optimise the power efficiency and performance of integrated circuits manufactured on deep sub-micron processes. With a licensing model and strong patent position covering new silicon structures, methods and processes, Mears Technologies enhances the fundamental electronic properties of silicon, without requiring new manufacturing equipment or the use of exotic materials.

## **MEARS TECHNOLOGIES INC. (CONTINUED)**

Mears Technologies Inc. has developed MST™ CMOS technology for use by semiconductor chip producers. The technology addresses key issues that are being encountered by the semiconductor industry.

## **MEARS SOLAR**

During the quarter, the company's solar research program progressed with Mears Technologies Inc. The aim of the research is to develop more efficient silicon based photovoltaic ("Pv") cells utilising Mears Silicon Technology ("MST"). K2 has begun the next phase for this technology and is approaching major international Solar groups to collaborate in its future development and commercialisation.

## **INVESTMENT**

K2 is a unitholder in Trey Resources 1 LLC, which has oil and gas interests in the USA.

During the quarter Trey Resources 1 LLC acquired additional oil and gas assets in Texas for which it paid cash and issued additional units in Trey Resources 1, LLC as part consideration. K2's unit holding remains the same with its current percentage holding being approximately 17% of the now expanded Trey Resources 1, LLC.