

30th July 2013

**QUARTERLY ACTIVITIES REPORT FOR THE QUARTER
ENDED 30th JUNE 2013**

The Directors of K2 Energy Limited (ASX: KTE) (“K2”) provide the following report for the Quarter ended 30th June 2013.

MEARS TECHNOLOGIES, INC. AND K2 ENERGY LIMITED MERGER

As announced on 5th December 2012, K2 entered into an Agreement and Plan of Merger with MEARS Technologies, Inc. (“MEARS”) for the purpose of its proposed merger with MEARS.

The Proposed Merger agreement was subject to a number of conditions including raising a minimum of \$7.5M.

Unfortunately, as announced in the update to the market on 25th June 2013, due to the difficult equity raising climate in Australia for technology companies, completion of the Proposed Merger has not been possible in the required time frame despite the best efforts by management and Directors of both K2, Mears Technologies Inc. and Foster Stockbroking.

The Board of K2 therefore decided to close the process in relation to the merger and cancelled the shareholder meeting scheduled for 28th June 2013.

K2 continues to hold investments in Mears Technologies Inc. and its oil and gas investment in Trey Resources LLC.

K2 retains its shareholding in Mears and in addition has a US\$1,000,000 bridge loan in the company.

As a result if Mears is successful in commercialising its chip technology, K2 and its shareholders will be major beneficiaries.

The Board remains confident in the prospects for Mears Technologies Inc., provided it can raise sufficient funds privately to complete its commercialisation process.

MEARS TECHNOLOGIES INC.

Mears Silicon Technology (“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 SOLAR

During the quarter, MEARS continued discussions with major international Solar groups to collaborate in its future development and commercialisation.

OIL AND GAS

K2 holds approximately 16% of the now expanded Trey Resources 1, LLC.

During the quarter there was no expenditure incurred by K2 in relation to this investment.