

31st January 2013

**QUARTERLY ACTIVITIES REPORT FOR THE QUARTER
ENDED 31st December 2012**

The Directors of K2 Energy Limited (ASX: KTE) (“K2”) provide the following report for the Quarter ended 31st December 2012.

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.

In mid-January 2013, a Notice of General Meeting, Explanatory Memorandum and Prospectus was dispatched to shareholders, containing information in relation to MEARS and the various Resolutions to approve the transaction.

Completion of the Transaction is subject to a number of conditions precedent as set out in the Memorandum of Agreement and Merger Agreement.

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 approached and had discussions with major international Solar groups to collaborate in its future development and commercialisation.

OIL AND GAS

K2 holds approximately 17% of the now expanded Trey Resources 1, LLC.

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