

30th April 2014

**QUARTERLY ACTIVITIES REPORT FOR THE QUARTER
ENDED 31st MARCH 2014**

The Directors of K2 Energy Limited (ASX: KTE) ("K2") provide the following report for the Quarter ended 31st March 2014.

MEARS TECHNOLOGIES, INC.

The major activity of the Company during the quarter was in relation to its investment in Mears Technologies Inc.

K2 Energy has a major investment in Mears Technologies Inc., together with a bridge loan it has provided to that company. Significant progress has made by Mears in relation to the commercialisation and adoption of its technology by firms in the semi-conductor industry and a capital raising for Mears. Whilst the proposed merger with Mears Technologies Inc. consumed a great deal of management time during 2013, considerable progress has been made in the meantime on the commercialisation front.

During the quarter MEARS continued to engage with major companies in connection with the commercialisation of the MEARS semiconductor technology and evaluations with these companies are in progress.

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

K2 currently has a direct shareholding of 5.339% in Mears, and a fully diluted shareholding of 13.407%, as well as a bridge loan of \$1 million provided to that company. If MEARS is successful in having its technology adopted by companies in the semiconductor industry, K2 shareholders should benefit significantly.

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.

MEARS TECHNOLOGIES INC. (cont)

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

K2 Energy owns the exclusive worldwide rights to the Mears Silicon Technology ("MST™") for all solar energy applications. As indicated in the 2012 Annual Report, K2 Energy has moved into the next phase for this technology, approaching major international solar groups to collaborate in its future development and commercialisation. As a result no research and development expenditure was incurred during the six months ended 31st December 2013. Mears and K2 Energy are actively seeking a joint venture partnership with an existing solar manufacturer in South East Asia/Japan to commercialise the MST technology.

MEARS is seeking a collaboration partner from the ranks of the major solar companies to further the development of its solar technology.

OIL AND GAS

K2 holds approximately a 16% interest in Trey Resources I, LLC, which is an oil and gas exploration and production business through which it is active in Oklahoma and Texas in the United States. Trey Resources 1, LLC holds approximately 6,700 net acres of leasehold acreage, with oil and gas production from approximately 194 active wells. K2 Energy has not been required to incur any expenditure due to the cash flow generated from current production by Trey.

During the quarter there was no expenditure incurred by K2 in relation to this investment as operating expenditure were covered by Trey Resources I, LLC.