

**31<sup>st</sup> July 2014**

**QUARTERLY ACTIVITIES REPORT FOR THE QUARTER  
ENDED 30<sup>th</sup> JUNE 2014**

The Directors of K2 Energy Limited (ASX: KTE) (“K2”) provide the following report for the Quarter ended 30<sup>th</sup> June 2014.

K2 Energy had 3 major activities during the quarter being its oil and gas activities in the USA, its solar energy activities and its interest in Mears Technologies Inc.

**OIL AND GAS ACTIVITIES**

K2 Energy owns 10.68% of Trey Resources I, LLC, which is an oil and gas producer based in Texas, USA. Trey Resources has expanded substantially its operations and has increased its acreage by 190% from 6,700 net acres to approximately 19,000 net acres, predominantly in Texas and Oklahoma. This has been achieved by way of acquisition of additional areas with associated oil and gas production.

Production generated from the acquired assets at 1<sup>st</sup> June 2014 is above 400 BOEPD (Barrels of Oil Equivalent Per Day) net and these are expected to grow as development of the acreage progresses.

K2 Energy expects that a drilling program will be undertaken before the end of the calendar year, with the focus being to expand oil production. K2 does not expect to be required to invest additional funds to maintain its interest and participate in these wells, due to the finance facilities that Trey Resources now has in place.

K2 is pleased to be participating in this project and is hopeful that it will generate substantial returns for shareholders in the future.

## **MEARS SOLAR**

K2 Energy owns the exclusive worldwide rights to the Mears Silicon Technology (“MST™”) for all solar energy applications.

K2 Energy funded between 2010 and 2013 a research and development solar program conducted by Mears with the aim being to develop more efficient silicon based cells utilising MST™. Mears and K2 Energy have agreed that the solar research phase is now complete, and that the solar activities have entered the commercialization/collaboration phase. K2 Energy together with the assistance of Mears is actively seeking a major international solar group to joint venture or collaborate with in order to commercialise the MST technology.

## **MEARS TECHNOLOGIES, INC.**

K2 Energy has a major investment in Mears Technologies Inc. (“MEARS”). MEARS continues to make good progress in relation to the commercialisation and adoption of its technology by firms in the semi-conductor industry. MEARS has raised additional capital during the quarter, however K2 Energy did not invest additional capital during the period.

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, provided it can raise sufficient funds privately to complete its commercialisation process.

At 30<sup>th</sup> June 2014 K2 had a direct shareholding of 5.339% in MEARS, and a fully diluted shareholding of 13.407%, as well as a bridge loan of approximately \$1.3 million provided to that company, including accrued interest. Subsequent to 30<sup>th</sup> June 2014, K2 Energy and the majority of bridge loan holders rolled their bridge loans into a convertible note, which at the election of the convertible note holders, can be converted into MEARS stock at a 50% discount to the future IPO price of MEARS. This convertible note is repayable on 31<sup>st</sup> May 2016. 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.