

29th January 2015

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

The Directors of K2 Energy Limited (ASX: KTE) (“K2”) provide the following report for the Quarter ended 31th December 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 31st December 2014 is above 500 BOEPD (Barrels of Oil Equivalent Per Day) net and has been gradually increasing as development of the acreage progresses.

K2 Energy expects that a drilling program which commenced during the December quarter, including horizontal wells will complete during the March 2015 quarter, with the focus being to expand oil production. K2 has not been required to invest additional funds to maintain its interest and participate in these wells, due to the finance facilities that Trey Resources has in place. Oil and gas prices have decreased substantially during the quarter, but fortunately Trey has oil price hedges in place on much of its current production since mid-2014.

MEARS SOLAR

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

K2 Energy funded 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 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 an investment in MEARS Technologies Inc. (“MEARS”) as described above. MEARS continues to make good progress in relation to the commercialisation and adoption of its technology by firms in the semi-conductor industry.

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

During the quarter, MEARS advised that it has entered into an engagement agreement with a West Coast USA based investment firm to prepare MEARS for an IPO in the second quarter of 2015.

This is a positive development which follows on the recent signing by MEARS of a Memorandum of Understanding with a Multinational Semiconductor Manufacturer* for a program leading to a Product Qualification that incorporates MST Technology. MEARS also continues to engage with a number of other major international firms on the commercialisation of its Mears Silicon Technology (“MST™”).

During the Quarter, MEARS also signed a joint Marketing Agreement Term Sheet with a leading Japanese OEM (Original Equipment Manufacturer). This is a major step forward, and will enhance substantially the sales and marketing process.

K2 has a direct shareholding of 5.339% in MEARS and a fully diluted shareholding of 13.407%, as well as a convertible note of \$1.3 million. The convertible note can be converted into further equity in MEARS at a 50% discount to the IPO price.

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 name of the Multinational Semiconductor Manufacturer cannot be disclosed because of confidentiality agreements in place.