

28th April 2016

**QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED
31st MARCH 2016**

The Directors of K2 Energy Limited (ASX: KTE) (“K2”) provide the following report for the quarter ended 31st March 2016.

K2 Energy had 3 major activities during the quarter being its interest in Atomera Inc. (“Atomera”), its solar energy activities and its oil and gas activities in the USA.

ATOMERA INC. (FORMERLY CALLED MEARS TECHNOLOGIES INC)

1. K2’s current shareholder interest is 10.3% (or 6.8% on a diluted basis). K2 also holds a USD1.3 million convertible note in Atomera, which converts into Atomera shares at a discount to a future IPO price. The share capital of Atomera would increase upon conversion of its Convertible Notes and upon an IPO, which would alter K2’s shareholding interest depending on the relevant issue prices.

2. Atomera has significantly advanced its commercialisation program. It has initiated business discussions with several of their leading Integrated Device Manufacturer (“IDM”) and Foundry customers, diversified their strategic partnerships and expanded the range of products that are early candidates for Product Qualification.

Atomera has developed a patented technology that re-engineers silicon to improve dramatically the performance of the conductive channel in a transistor. As an illustration of just one dimension of the technology’s benefits, based on their simulations, if all the silicon in an iPhone were made of Atomera’s reengineered silicon, the battery life would improve dramatically. Atomera’s technology adds only one process step and very little capital cost to the fab.

3. Atomera has relocated its offices to Los Gatos in Silicon Valley, California.

4. The new management team, headed by new CEO Scott Bibaud, has accelerated and expanded the commercialisation activities.

5. Atomera has raised an additional \$6 million in convertible notes to fund its commercialisation activities with the assistance of Liquid Ventures Partners.

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 commercialisation/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.

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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 approximately 19,000 net acres.

Production generated from the assets at 31st March 2016 is approximately 470 BOEPD (Barrels of Oil Equivalent per Day) gross and approximately 320 BOEPD net.

Continued low commodity prices are adversely affecting the future viability of its operations. The Board therefore intends to impair the balance of the Company's investment in Trey of \$154,778 in the half year ended 30 June 2016.

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