

30th January 2017

QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 31st DECEMBER 2016

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

K2 Energy 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.

K2 Energy has an investment in Atomera, Inc. ("Atomera"), which listed on NASDAQ on 5th August 2016, with its stock code being ATOM with K2 owning 583,846 shares of common stock in Atomera, representing 4.864% of the company.

ABOUT ATOMERA, INC.

The following are extracts and information from the Atomera, Inc. website, including their announcements dated 4th and 18th January 2017.

Atomera (NASDAQ: ATOM), previously known as Mears Technologies, the company was founded in 2001 by Robert Mears with a vision to develop a platform of materials technologies for use across multiple industries. In response to the slowdown in the advancement of Moore's Law, Atomera used atomic level material science to develop Mears Silicon Technology™ (MST®) which provides multiple benefits to industry participants. For semiconductor designers MST® improves performance and power efficiency while potentially reducing cost. For semiconductor fabs, the technology may allow them to extend the life of their expensive manufacturing facilities by providing a new, unexpected suite of material improvements within existing process nodes.

After several years of research to perfect the technology, Atomera is now engaged with leading semiconductor companies to integrate MST® into their manufacturing flow.

Atomera announced in January 2017 that a former GlobalFoundries and Dongbu HiTek executive, Aabid Husain has joined the company as vice president of global business development and sales.

Aabid joins Atomera with over 20 years of semiconductor foundry industry experience. Most recently he served as the vice president business development and product management at GlobalFoundries. In that role, he was responsible for strategically realigning the assets and offerings for five product lines and diversifying a multi-billion-dollar portfolio of products and customers.

"Aabid's extensive foundry and semiconductor experience significantly strengthens Atomera's ability to attract new customers," said Scott Bibaud, Atomera President and CEO. "Adding him to our world-class team will help us to continue to gain momentum in the industry as we work to extend Moore's Law."

Aabid will be responsible for driving strategic business deals and partnerships across foundries and integrated device manufacturers. During his time at GlobalFoundries, he held various leadership positions across business development and marketing, and played an instrumental role in the company's growth, managing a \$2B business and creating a \$10B pipeline of design wins.

ABOUT ATOMERA, INC. (continued)

"I'm thrilled to be joining Atomera at such a pivotal time for the company and the semiconductor industry," Aabid Husain said. "The opportunity to join Atomera, with its truly innovative IP and a technology that is poised to change semiconductor design, is a once in a lifetime opportunity. I look forward to leveraging my industry relationships and technical background to help Atomera expand its customer base."

In early January 2017 Atomera announced a master R&D service agreement with TSI Semiconductors, a specialty foundry with ISO, Automotive and Industrial Class Certifications. Atomera will leverage its significant investments in Mears Silicon Technology™ (MST®), and the manufacturing capability of TSI to accelerate fab integration and shorten time to market for its More-than-Moore architectural and material innovation.

"As a developer of advanced semiconductor materials, Atomera is constantly seeking to provide better electronic performance by enhancing transistors with our quantum engineered material innovations," said Scott Bibaud, Atomera President and CEO. "Our foundry agreement with TSI significantly cuts fab cycle times, allowing for faster product development, test, and integration, and should accelerate our time to market with both existing and new customers. I could not be more excited by the dramatic improvement in development time our relationship with TSI allows."

"TSI's Technology Development Services are a perfect fit for cutting edge semiconductor technology companies like Atomera," said Bruce Gray, Chief Executive Officer at TSI. "Their strong IP portfolio of new semiconductor materials such as MST®, combined with our 200mm fabrication capabilities and our focus on custom solutions and commercialization services, forms a partnership that showcases our capabilities and fast tracks Atomera's development."

This partnership allows Atomera to execute cycles of learning 5 to 10 times faster as compared to the engineering evaluation process experienced at foundries or integrated device manufacturers currently testing MST®. As a result, adoption of Atomera's technology in the industry can be significantly accelerated. With MST® technology, manufacturers can address their yield, power and performance challenges at a fraction of the cost of alternative approaches. Atomera breathes new life into semiconductor fabs by providing up to a full node of performance benefits to existing fab processes enabling significantly better performance in today's electronics. Atomera's patented material technology enables more efficient and better controlled current flow, leading to dramatic improvements in device performance and power efficiency.

Atomera held meetings with customers, analysts, media and investors during the 2017 Consumer Electronics Show ("CES") January 5-7, 2017 in Las Vegas.

MEARS SOLAR

K2 Energy owns the exclusive worldwide rights to the MST™ Technology for all solar energy applications.

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

OIL AND GAS ACTIVITIES

K2 Energy owns 10.68% of Trey Resources I, LLC ("Trey Resources") which is an oil and gas producer that has been adversely impacted by the collapse in the oil price. As previously advised, the investment in Trey Resources has a nil carrying value, and its Oklahoma assets remain in receivership. As a shareholder K2 Energy has no financial exposure to Trey Resources.