

27th April 2017

**QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED
31st March 2017**

The Directors of K2 Energy Limited (ASX: KTE) (“K2”) provide the following report for the quarter ended 31st March 2017.

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 4.8% of the company.

ABOUT ATOMERA, INC.

The following are extracts and information from the Atomera, Inc. website, including their announcement dated 17th March 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.

During the March 2017 quarter, Atomera:

- Signed evaluation agreement with one new top-tier integrated device manufacturer and entered into the engagement and planning phase with four new prospective customers. Atomera’s three earliest potential customers continue evaluation of MST®*
- Announced a collaboration with Synopsys, Inc., a leading provider of Technology Computer-Aided Design (TCAD) software tools, to integrate MST® into their Sentaurus TCAD models. This collaboration enables companies to model the integration of MST® into their semiconductor process which should shorten the time to adoption of Atomera’s technology.*
- Announced an R&D service agreement with specialty foundry TSI Semiconductors, enabling the Company to run internal wafer experiments resulting in significantly faster cycle times for developing MST® films and integrating them with new customers.*

ABOUT ATOMERA, INC. (continued)

Atomera Management Commentary

"We are extremely pleased with our progress in 2016," commented Scott Bibaud, President and CEO. "Our level of customer activity has never been stronger or broader than it is currently. We are now in various phases of engagement with over 30% of the top semiconductor companies in the world. During the last quarter, we have taken major steps toward accelerating our internal MST[®] development, shortening customer evaluation time for our revolutionary technology, and our very strong cash position affords us runway to continue investing in our technology and developing our business for the long term," added Mr. Bibaud.

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.

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