

**K2 ENERGY LIMITED**

ABN 99 106 609 143

AND CONTROLLED ENTITIES

**Appendix 4D and Half-Year Financial Report****31 December 2020**

This half-year report is for the six months ended 31 December 2020. The previous corresponding period is the half-year ended 31 December 2019.

The information in this report should be read in conjunction with the most recent annual financial report.

**Results for announcement to the market**

		\$		\$
Revenues from ordinary activities	Down 84,55%	3,228	to	590
Profit from ordinary activities after tax attributable to members	Up	2,218,393	to	2,188,368
Profit for the period attributable to members	Up	2,218,393	to	2,188,368
<b>Dividends</b>		Amount per security		Franked amount per security
Final dividend		- ¢		- ¢
Interim dividend		- ¢		- ¢
Record date for determining entitlements to the dividend	Not applicable			
Brief explanation of any of the figures reported above:				
Refer to comments in the attached Directors' Report.				
<b>NTA Backing</b>		31 December 2020		30 June 2020
Net tangible asset backing per share		3.68 cents		2.32 cents

# **K2 Energy Limited**

(ABN 99 106 609 143)

## **Half Year Report**

**31 December 2020**

**Company Directory**

**Directors**

Sam Gazal

Ken Gaunt

Ellie Dawkins

**Company Secretary**

Terry Flitcroft

**Principal and Registered Office**

Level 2 Kyle House

27 Macquarie Place

Sydney NSW 2000

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**Auditors**

Stirling International

**Share Registrar**

Boardroom Limited

Level 7, 207 Kent Street

Sydney NSW 2000

Telephone: (02) 9290 9600

Facsimile: (02) 9279 0664

**Stock Exchange Listing**

Ordinary Shares: KTE

**Bankers**

Westpac Banking Corporation

**Website**

[www.K2energy.com.au](http://www.K2energy.com.au)

<b>Contents</b>	<b>Page</b>
Directors' Report	1
Consolidated Income Statement	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Financial Statements	8
Director's Declaration	14
Independent Auditor's Review Report	15
Auditor's Independence Declaration	17

## DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2020. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Sam Gazal	Chairman
Ken Gaunt	Non-executive Director
Ellie Dawkins	Non-executive Director

## REVIEW OF OPERATIONS

K2 Energy had 3 major activities during the half-year ended 31<sup>st</sup> December 2020, being its interest in Atomera, Inc. ("Atomera"), its solar energy activities and its oil and gas activities in the USA.

### ATOMERA, INC.

K2 Energy provided critical funding to Atomera, Inc. during its R & D development phase while they developed patentable technology for the silicon chip industry with energy saving and performance attributes. This funding converted into a significant interest in a NASDAQ listed corporation, being Atomera, Inc.

Detailed below is an extract of a recent announcement made by Atomera on 5th January 2021.

Atomera Incorporated (NASDAQ:ATOM), a semiconductor materials and technology licensing company, announced in early January 2021 it had entered into a Joint Development Agreement (JDA) with a leading semiconductor provider for integration of Atomera's Mears Silicon Technology (MST) into their silicon fabrication process. The JDA includes a manufacturing license allowing the customer to fabricate semiconductor wafers incorporating MST for use in their products. Atomera's MST is a patented, quantum-engineered material that enhances transistors to deliver significantly better performance in today's electronics.

"Atomera is thrilled to join with an industry leader that has a strong record of technology innovation to extend Moore's Law," said Scott Bibaud, president and CEO, Atomera. "During this JDA, we will work together to prove the technical and economic advantage of adopting MST across multiple process technologies and business units within our partner company. This agreement aligns well with our long-standing mission to collaborate with leaders in the industry to extend the life of existing manufacturing processes and accelerate adoption of new technologies, through development of our cutting-edge materials."

"This latest agreement is part of Atomera's effort to develop deeper and more strategic relationships with selected customers through JDAs - an agreement format that is well suited to large customers who have multiple production nodes, process technologies and product divisions, ultimately leading to deeper customer penetration, faster integration, and quicker adoption across product lines. The agreement will generate revenue for Atomera this year."

Further details are available at [www.atomera.com](http://www.atomera.com)

Atomera's current share price is approximately USD40 per share, which values K2 Energy's shareholding in Atomera at approximately AUD27 million.

## DIRECTORS' REPORT

### ATOMERA, INC. 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 solar group to joint venture or collaborate with, in order to commercialise the MST™ Technology.

### OIL AND GAS ACTIVITIES

During 2019/20 K2 acquired a drilling interest in an exploration permit in Alabama, USA. The well was drilled to 12,600 feet, and whilst oil shows were encountered, the well was not commercial.

K2 also has a 1% interest in the Horace Greeley oil and gas exploration prospect in oil and gas exploration area in Conecuh County, Alabama. The first well drilled was uncommercial. Until oil and gas prices recover post-Covid most drilling projects will be difficult to be regarded as commercially viable.

### EVENTS SUBSEQUENT TO BALANCE DATE

The directors are not aware of any matter or circumstance that has arisen since the end of the period to the date of this report that has significantly affected or may affect:

- (i) The operations of the company and the entities that it controls
- (ii) The results of those operations
- (iii) The state of affairs of the company in subsequent years,

other than Atomera's share price has increased since the end of the half year to approximately US\$34 per share.

### FINANCIAL POSITION

The Company had cash funds on hand of \$643,516 at 31<sup>st</sup> December 2020 (30 June 2020: \$1,116,459).

### PRINCIPAL ACTIVITIES

K2 Energy had 3 major activities during the half-year ended 31<sup>st</sup> December 2020, being its interest in Atomera, Inc., its solar energy activities and its oil and gas activities in the USA.

### Auditor's Independence Declaration

The auditor's independence declaration for the half year ended 31<sup>st</sup> December 2020 is set out on page 17 of these half yearly accounts.

Signed in accordance with a resolution of the Board of Directors.



Sam Gazal

Chairman

Dated this 11<sup>th</sup> day of February 2021

**CONSOLIDATED INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 \$	2019 \$
Other revenue		590	3,818
Administration and corporate expenses		(35,266)	(33,497)
Directors' fees, salaries and employee benefits	5	-	-
Exploration expenditure		(338)	(272)
Foreign exchange gain/(loss)		(1,029)	(74)
<b>Profit/(Loss) before income tax expense</b>		<b>(36,043)</b>	<b>(30,025)</b>
Income tax benefit/(expense)	2	2,224,411	-
<b>Profit/(Loss) for the period</b>		<b>2,188,368</b>	<b>(30,025)</b>
Basic profit/(loss) per share (cents per share)		<b>0.73</b>	<b>(0.01)</b>
Diluted profit/(loss) per share (cents per share)		<b>0.73</b>	<b>(0.01)</b>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Profit/(Loss) for the period	2,188,368	(30,025)
<b>Other comprehensive income:</b>		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Fair value increment/(decrement) on financial assets	4,124,923	(1,628,665)
Deferred tax on financial asset revaluations	(2,224,411)	-
Total comprehensive income for the period	<u><b>4,088,880</b></u>	<u><b>(1,658,690)</b></u>
<b>Total comprehensive income attributable to members of the parent entity</b>	<u><b>4,088,880</b></u>	<u><b>(1,658,690)</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Notes	31 December 2020	30 June 2020
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		643,516	1,116,459
Trade and other receivables		35,216	841
<b>Total Current Assets</b>		<b>678,732</b>	<b>1,117,300</b>
<b>Non-Current Assets</b>			
Other financial assets	4	10,953,738	6,828,815
Deferred tax assets		2,224,411	-
Deferred exploration, evaluation and development costs	13	-	-
<b>Total Non-Current Assets</b>		<b>13,178,149</b>	<b>6,828,815</b>
<b>Total Assets</b>		<b>13,856,881</b>	<b>7,946,115</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	5	579,012	981,537
<b>Total Current Liabilities</b>		<b>579,012</b>	<b>981,537</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		2,224,411	-
<b>Total Non-Current Liabilities</b>		<b>2,224,411</b>	<b>-</b>
<b>Total Liabilities</b>		<b>2,803,423</b>	<b>981,537</b>
<b>Net Assets</b>		<b>11,053,458</b>	<b>6,964,578</b>
<b>Equity</b>			
Issued Capital	3	48,208,668	48,208,668
Reserves		7,811,393	5,910,881
Accumulated losses		(44,966,603)	(47,154,971)
<b>Total Equity</b>		<b>11,053,458</b>	<b>6,964,578</b>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

	Option Reserve	Asset Revaluation Reserve	Issued Capital	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	<b>2,621,100</b>	<b>237,880</b>	<b>48,208,668</b>	<b>(47,329,431)</b>	<b>3,738,217</b>
Other comprehensive income:					
Fair value decrement	-	(1,628,665)	-	-	(1,628,665)
Loss attributable to members	-	-	-	(30,025)	(30,025)
<b>Balance at 31 December 2019</b>	<b>2,621,100</b>	<b>(1,390,785)</b>	<b>48,208,668</b>	<b>(47,359,456)</b>	<b>2,079,527</b>
<b>Balance at 1 July 2020</b>	<b>2,621,100</b>	<b>3,289,781</b>	<b>48,208,668</b>	<b>(47,154,971)</b>	<b>6,964,578</b>
Other comprehensive income:					
Fair value increment	-	4,124,923	-	-	4,124,923
Deferred tax on revaluations	-	(2,224,411)	-	-	(2,224,411)
Profit attributable to members	-	-	-	2,188,368	2,188,368
<b>Balance at 31 December 2020</b>	<b>2,621,100</b>	<b>5,190,293</b>	<b>48,208,668</b>	<b>(44,966,603)</b>	<b>11,053,458</b>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments for operations and employees	(472,148)	(41,759)
Oil and gas expenditure	(340)	(272)
Interest received	573	3,699
Net cash used in operating activities	<u>(471,915)</u>	<u>(38,332)</u>
<b>Cash flows from investing/financing activities</b>		
Net cash provided by investing/financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(471,915)	(38,332)
Cash and cash equivalents at beginning of period	1,116,459	513,099
Net foreign exchange difference	(1,028)	(500)
<b>Cash and cash equivalents at end of reporting period</b>	<b><u>643,516</u></b>	<b><u>474,267</u></b>

The cash balances at 31 December 2019 and 31 December 2020 are represented by cash at bank and money market securities.

The accompanying notes form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

#### Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2020 annual financial report for the financial year ended 30 June 2020, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### Operating Segments

Operating segments are identified, and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Consolidated Entity, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

#### Significant accounting policies

The accounting policies applied by the Consolidated Entity in this Consolidated Interim Financial Report are the same as those applied by the Consolidated Entity in the Consolidated Annual Financial Report as at and for the year ended 30 June 2020. There are no new and revised accounting requirements significantly affecting the half year financial statements.

### NOTE 2: INCOME TAX BENEFIT/(EXPENSE)

	31 December 2020 \$	31 December 2019 \$
Income tax benefit	2,224,411	-

The income tax benefit relates to unused tax losses not previously recognised in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### NOTE 3: ISSUED CAPITAL

	31 December 2020 #	30 June 2020 #
(a) Ordinary shares Issued and fully paid	300,657,151	300,657,151

No (December 2019: nil) shares were issued during the half year.

#### (b) Options

No options were issued during the half year (December 2019: nil). As at 31<sup>st</sup> December 2020 (December 2019: nil), there were no options on issue.

	31 December 2020 \$	30 June 2020 \$
<b>NOTE 4: OTHER FINANCIAL ASSETS</b>		
Financial assets at fair value through other comprehensive income:		
Shares in listed company*	10,953,738	6,828,815
	<b>10,953,738</b>	<b>6,828,815</b>

\* K2 Energy has an investment in Atomera, Inc. ("Atomera"), which is listed on NASDAQ. At 31<sup>st</sup> December 2020 K2 owned 523,846 shares (2019: 583,846 shares) of common stock in Atomera. In response to a major lift in Atomera's share price during the June 2020 quarter from USD3.50 per share as at 31<sup>st</sup> March 2020, the Company reduced its holding in Atomera to 523,846 shares.

As at 31<sup>st</sup> December 2020 the Board of Directors of K2 Energy Limited believe that there is no objective evidence indicating impairment of the above financial assets.

Atomera shares held by K2 were revalued to fair value using the quoted price of Atomera shares on NASDAQ on 31<sup>st</sup> December 2020, which was US\$16.09 per share. This revaluation to fair value resulted in a fair value increment of \$4,124,923. As at the date of these accounts Atomera's share price has increased to approximately US\$40 per share.

### NOTE 5: TRADE AND OTHER PAYABLES

#### Current

Accruals	579,012	981,537
	<b>579,012</b>	<b>981,537</b>

Included in the trade and other payables balance are amounts totalling \$571,662 (2019: \$971,660) accrued for company secretarial services, accounting and reporting functions and financial advisory services provided to the Company and Directors' fees. These fees were accrued for the 2015, 2016, 2017 and 2018 financial years. No fees were accrued for the 2019 and 2020 financial years.

A portion of the fees accrued during the 2015-2018 financial years have been paid during the 2020 half-year.

The remaining accrued fees will be paid in the future dependent on the Company's working capital position.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### NOTE 6: SEGMENT REPORTING

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity's other components if separately reported and monitored. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate head office results.

The Company has three activities as outlined in the Directors' Report being its interest in Atomera, Inc., its solar energy activities and its oil and gas activities in the USA.

Other than as detailed above the profit and loss effect of these activities was minimal during the financial year and activities are ongoing in each segment. In relation to the solar segment, K2 is now seeking commercialisation collaboration partners but no funds were expended during the current financial year in this segment.

#### Information about reportable segments

<b>Geographical location:</b>	<b>Australia</b>	<b>USA</b>	<b>Total</b>
<b>2020</b>	\$	\$	\$
<b>External sales revenue</b>	-	-	-
<b>Non-current assets</b>	-	10,953,738	10,953,738

<b>Geographical location:</b>	<b>Australia</b>	<b>USA</b>	<b>Total</b>
<b>2019</b>	\$	\$	\$
<b>External sales revenue</b>	-	-	-
<b>Non-current assets</b>	-	2,553,601	2,553,601

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### NOTE 6: SEGMENT REPORTING (continued)

#### Information about reportable segments

Operating Segment	Atomera, Inc. Solar	Atomera, Inc. (CMOS)	Oil & Gas	Total
2020	\$	\$	\$	\$
<b>Segment assets</b>	-	10,953,738	-	10,953,738
<b>External sales revenue</b>	-	-	-	-
<b>Segment loss before tax</b>	-	-	-	-
Unallocated expense items				(35,604)
Unrealised foreign exchange gain/(loss)				(1,029)
Interest received/receivable				590
<b>Loss before tax</b>				(36,043)
Income tax benefit/(expense)				2,224,411
<b>Profit after tax</b>				2,188,368

Operating Segment	Atomera, Inc. Solar	Atomera, Inc. (CMOS)	Oil & Gas	Total
2019	\$	\$	\$	\$
<b>Segment assets</b>	-	2,553,601	-	2,553,601
<b>External sales revenue</b>	-	-	-	-
<b>Segment loss before tax</b>	-	-	-	-
Unallocated expense items				(33,769)
Unrealised foreign exchange gain/(loss)				(74)
Interest received/receivable				3,818
<b>Loss before tax</b>				(30,025)
Income tax expense				-
<b>Loss after tax</b>				(30,025)

### NOTE 7: CONTINGENT LIABILITIES AND COMMITMENTS

The Consolidated Entity is not aware of any contingent liabilities, which existed as at the end of this financial period or have arisen as at the date of this report.

### NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the half year, the directors are not aware of any matter that has significantly affected or may significantly affect the operations of the Company in subsequent financial periods other than Atomera's share price has increased since the end of the half year to approximately US\$40 per share.

### NOTE 9: DIVIDENDS

No dividends were paid during or subsequent to the half year ended 31<sup>st</sup> December 2020.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### NOTE 10: ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND RESTRUCTURING

No subsidiaries were acquired or disposed of during the half year ended 31<sup>st</sup> December 2020.

### NOTE 11: DISCONTINUING OPERATIONS

No operations were discontinued during the half-year ended 31<sup>st</sup> December 2020.

### NOTE 12: FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments.

#### (a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into three levels prescribed under the accounting standards. An explanation of these levels is provided underneath the table.

#### At 31 December 2020

	Level 1 \$	Level 2 \$	Level 3 \$	Total
Investments				
- listed investment	10,953,738	-	-	10,953,738
<b>Total</b>	<b>10,953,738</b>	<b>-</b>	<b>-</b>	<b>10,953,738</b>

#### At 30 June 2020

	Level 1 \$	Level 2 \$	Level 3 \$	Total
Investments				
- listed investment	6,828,815	-	-	6,828,815
<b>Total</b>	<b>6,828,815</b>	<b>-</b>	<b>-</b>	<b>6,828,815</b>

#### Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

#### Non-derivative financial assets and liabilities

The fair value of cash, receivables, payables and short-term borrowings is considered to approximate their carrying amount because of their short maturity. Other assets are based on the assets carrying values, which approximates fair value.

A revaluation increment to fair value of \$4,124,923 has been recorded in the Company's asset revaluation reserve as at 31<sup>st</sup> December 2020 (2019: decrement of \$1,628,665). The market value at 31<sup>st</sup> December 2020 for Atomera, Inc. shares on the NASDAQ exchange was US\$16.09 (2019: US\$3.08) and the AUD/USD exchange rate used was 1 AUD = 0.76948 USD.

#### Fair value hierarchy

There are no other financial instruments carried at fair value or valued using the following:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	31 December 2020	30 June 2020
	\$	\$
<b>NOTE 13: DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE</b>		
Exploration and evaluation costs carried forward in respect of oil and gas exploration areas of interest	-	-
<b>Movement in carrying amounts</b>		
Opening balance	-	22,491
Interest acquired during the year*	-	-
Foreign exchange fluctuation	-	-
Exploration expenditure expensed during the year	-	(22,491)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

\* K2 owns a 1% interest in the Horace Greeley oil and gas drilling prospect in Conecuh County, Alabama, USA with a 1% interest before casing point and 0.75% after casing point. An initial well was drilled on this prospect during the second half of the 2018/19 year which was uncommercial.

K2 acquired from Aspen Energy, Inc. a 0.5% working interest of an exploration permit located in Alabama USA. The well was drilled to a depth of 12,600 feet, and whilst oil shows were encountered, the well was not commercial. Until oil and gas prices recover post-Covid, most drilling projects will be difficult to be regarded as commercially viable.

### DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes thereto, as set out on pages 3 to 13:
  - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the consolidated entity's financial position as at 31<sup>st</sup> December 2020 and of its performance for the half-year then ended.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'S. Gazal', with a large, stylized flourish underneath.

Samuel Gazal  
Chairman

Dated this 11<sup>th</sup> February 2021



## STIRLING INTERNATIONAL

CHARTERED ACCOUNTANTS

### INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF K2 ENERGY LIMITED

We have reviewed the accompanying half-year financial report of K2 Energy Limited and Controlled Entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies, other selected explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of K2 Energy Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of K2 Energy Limited and Controlled Entities would be in the same terms if provided to the directors as at the date of this auditor's review report

Level 3, 225 Clarence Street Sydney NSW 2000 Australia  
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*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of K2 Energy Limited is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the Consolidated Entity's financial position as at 31<sup>st</sup> December 2020 and of its performance for the half-year ended on that date; and
- complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Stirling International  
Chartered Accountants



**Peter Turner**

Partner

11<sup>th</sup> February 2021

225 Clarence Street Sydney 2000

**LEAD AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF K2 ENERGY LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31<sup>st</sup> December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Stirling International  
Chartered Accountants



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**Peter Turner**

Partner

11<sup>th</sup> February 2021

225 Clarence Street Sydney 2000