K2 ENERGY LTD.
ACN 106 609 143

20th March 2015

MEARS TECHNOLOGIES INC. CAPITAL RAISING OVERSUBSCRIBED

K2 Energy Limited (ASX: KTE) ("K2") is pleased to provide an update in relation to Mears Technologies Inc. ("MEARS").

MEARS previously advised that it had appointed a West Coast USA based investment firm to prepare MEARS for an IPO.

To bridge MEARS working capital requirement until IPO, the investment firm arranged a Convertible Note Issue, which was significantly oversubscribed, raising over US$8 million. At the same time K2 has exchanged its Convertible Note of $1.3 million for the new series of Convertible Notes.

The strength of this capital raising is impressive and augurs well for the planned IPO. This is a major milestone for MEARS as it provides the capital required for the commercialisation process, as well as being one of the last major steps leading to an IPO.

During late 2014 MEARS signed 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™").

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

K2 has a direct shareholding of 5.339% in MEARS and a fully diluted shareholding of 12.092%, 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.

BACKGROUND INFORMATION ON K2 ENERGY

K2 Energy has 3 major activities, 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 recently 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 1st June 2014 is above 400 BOEPD (Barrels of Oil Equivalent Per Day) net and this is expected to grow as development of the acreage progresses.

K2 Energy expects that a drilling program will be undertaken before the end of the calendar year, with the focus being to expand oil production. K2 does not expect to be required to invest additional funds to maintain its interest and participate in these wells, due to the finance facilities that Trey Resources now has in place.

Solar Activity
K2 Energy owns the exclusive worldwide rights to the MEARS Silicon Technology ("MST™") for all solar energy applications.

K2 Energy funded between 2010 and 2013 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 research phase at MEARS is now complete, and 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.

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