K2 ENERGY LTD.

ACN 106 609 143

29th April 2015

QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 31st MARCH 2015

The Directors of K2 Energy Limited (ASX: KTE) ("K2") provide the following report for the quarter ended 31st March 2015.

K2 Energy had 3 major activities during the quarter 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 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 31st March 2015 is above 500 BOEPD (Barrels of Oil Equivalent Per Day) net and has gradually increased as development of the acreage progressed.

The current drilling program, including horizontal wells has recently completed, with two of these wells being quite promising. Trey Resources is seeking approval for water disposal wells, to enable the horizontal wells to produce optimally. Oil and gas prices remained depressed, with oil price hedges being in place for much of the current production.

MEARS TECHNOLOGIES, INC.

K2 Energy has an investment in MEARS Technologies Inc. ("MEARS"), which has made good progress in relation to the commercialisation and adoption of its technology by firms in the semi-conductor industry.

MEARS entered into an engagement agreement with a West Coast USA based investment firm to prepare MEARS for an IPO.

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MEARS TECHNOLOGIES, INC. (continued)

To bridge MEARS working capital requirement until IPO, the investment firm arranged a Convertible Note Issue during the quarter, 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 was 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.

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 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.

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