

26th October 2016

**QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED
30th SEPTEMBER 2016**

The Directors of K2 Energy Limited (ASX: KTE) ("K2") provide the following report for the quarter ended 30th September 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") (previously MEARS Technologies Inc. ("MEARS")), which has made significant progress in relation to the commercialisation and adoption of its technology by firms in the semi-conductor industry.

Atomera, Inc. listed on NASDAQ on 5th August 2016, with its stock code being ATMR. Upon completion of Atomera, Inc.'s listing K2's convertible note (and accrued interest thereon) in Atomera, Inc. were converted to 415,951 shares of common stock in Atomera, Inc. Following this conversion K2 now owns 583,846 shares of common stock in Atomera, representing 4.864% of that company.

The closing price of Atomera on NASDAQ on Tuesday 25th October 2016 was US\$7.80.

ABOUT ATOMERA, INC.

Atomera (NASDAQ: ATMR), a semiconductor materials and intellectual property licensing company focused on deploying its proprietary technology into the \$350+ billion semiconductor industry

Atomera has developed Mears Silicon Technology™ ("MST"), which increases performance and power efficiency in semiconductor transistors. MST™ can be implemented using equipment already deployed in semiconductor manufacturing facilities and is complementary to other nano-scaling technologies already in the semiconductor industry roadmap. Atomera was known as Mears Technologies, Inc. until January 2016. Atomera's headquarters are located in Los Gatos, California.

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. The increased market presence of Atomera after its IPO should enhance the ability to achieve this.

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 company impaired its investment in Trey Resources of \$779,079 in the year ended 30 June 2016. We have been advised that Trey Resources has sold its Texas acreage to repay borrowings and its Oklahoma assets are now in receivership. As a shareholder K2 Energy has no financial exposure to Trey Resources.