



A.C.N. 106 609 143

**Annual Report
2023**

Table of Contents

Section	Title	Page
1.	Chairman's Letter	1
2.	Directors' Report	2
3.	Financial Statements	10
4.	Notes to Financial Statements	15
5.	Directors' Declaration	35
6.	Independent Audit Report	36
7.	Auditor's Independence Declaration	39
8.	Additional Information	40
9.	Corporate Directory	42

K2 ENERGY LIMITED A.C.N. 106 609 143

DIRECTORS' REPORT

The directors present their report, together with the financial statements on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity' or 'K2') consisting of K2 Energy Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during the year ended 30 June 2023.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Samuel Gazal, BEc

Non-executive Chairman

Sam has more than 40 years' experience as a director of public and private companies. He graduated from Sydney University with a Bachelor of Economics. He has been a director and significant shareholder in a number of successful companies including Gazal Industries Limited, Winthrop Investments Limited, Country Television Services Limited and Sunshine Broadcasting Network Limited. He is the major shareholder and chairman of the Roslyndale group of companies.

Robert Kenneth (Ken) Gaunt

Non-executive Director

Zimbabwean born Robert Kenneth ('Ken') Gaunt is a successful entrepreneur and investor with over 30 years of experience in sales management, corporate advisory and early-stage business development. After emigrating to Australia from Cape Town in 1997, Ken co-founded and was the managing director of Electronic Banking Solutions Pty Ltd which he grew into Australia's largest independent ATM operator. After guiding that company through a successful merger with Cashcard Australia Limited, in 2005 Ken completed the \$330 million sale of the merged financial services operation to an American private investment firm. Ken is an experienced board member holding various national and international board positions throughout his career including as co-founder and director of the multi-award winning iconic tourist attraction, Sydney Seaplanes, as a board member of Hong Kong-listed Fintronics Holding Company Limited and as a non-executive director of the Australian NSX listed K2 Energy Limited. Ken was CEO of Mobilarm Limited, the company which Jaxsta Limited completed a successful reverse takeover with in late 2019. In 2020 he re-joined the Jaxsta board as a non-executive director.

Ellie Dawkins (previously Ellie Phelan), BComm, BLaws, BAcc

Non-executive Director

Ellie has over 15 years' experience working for a number of public and private companies in the areas of finance and administration. Ellie holds Bachelor degrees in Law, Accounting and Commerce.

Company Secretary

Terence Flitcroft B Comm. CA SF FIN

Mr Flitcroft is company secretary for a number of public and private companies.

CORPORATE INFORMATION

Corporate Structure

K2 Energy Limited is a public company listed on the National Stock Exchange (NSX Code: KTE).

Employees

K2 currently has no employees.

OPERATING AND FINANCIAL REVIEW

K2 Energy's major activities during the year were its strategic investment in Atomera, Inc. ("Atomera") and its solar energy activities.

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.

On April 26, 2023 Atomera announced the signing of its first commercial licence agreement. Extracts from that announcement are below:-

"Agreement Allows ST to Manufacture and Ship MST-Enabled Products

Atomera Incorporated (NASDAQ:ATOM), a semiconductor materials and technology licensing company, today announced the execution of a commercial license agreement with STMicroelectronics (ST). This agreement enables ST to install Atomera's Mears Silicon Technology™ (MST®) into its facilities and authorizes ST to manufacture and distribute MST-enabled products to its customers.

MST is a quantum-engineered material that enhances transistors to deliver significantly better performance in semiconductor devices, while shrinking die sizes and reducing cost in today's electronics. In power devices, performance improvements typically include lower "on" resistance, higher breakdown voltages, and die size reductions of 20% or more. As these devices are ubiquitous in all electronic segments, this means consumer electronics such as mobile phones can have longer battery life, datacenters and EVs can improve efficiency, and all segments can lower their component costs.

"With the execution of this agreement, Atomera will be working with ST to bring to production ST products that are enhanced with all the benefits of MST as soon as possible," said Scott Bibaud, Atomera's president and CEO. "We are thrilled to be working with an industry leader like ST to commercialize MST in its flagship smart power products."

Further details are available at www.atomera.com.

In response to a lift in Atomera's share price during the June 2023 quarter, the Company reduced its holding in Atomera to 500,000 shares. Atomera's share price as at 30 June 2023 was approximately USD8.75 per share, which valued K2 Energy's shareholding in Atomera (500,000 Atomera shares) at approximately AUD 6.6 million.

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 is seeking a solar group to joint venture or collaborate with, in order to commercialise the MST™ Technology.

FINANCIAL POSITION

The Company had cash funds on hand of \$403,740 at year-end (2022: \$145,335).

PRINCIPAL ACTIVITY

K2 Energy's major activities during the year were its strategic investment in Atomera, Inc. ("Atomera") and its solar energy activities.

FINANCIAL RESULT

The operating result for the financial year ended 30 June 2023 for the Company was a pre-tax loss of \$280,965 (2022: pre-tax loss of \$272,024).

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year, other than as detailed in this directors' report and the Chairman's Letter accompanying this report.

AFTER BALANCE DATE EVENTS

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

K2 Energy is increasing in confidence that Atomera, Inc. will continue to make good progress in relation to the commercialisation and adoption of its technology and consequently, the value of its investment will increase.

K2 Energy will continue to seek suitable solar groups to joint venture or collaborate its solar technology.

K2 Energy retains its interest in oil drilling areas in Alabama USA but has ceased all oil and gas exploration.

ENVIRONMENTAL REGULATIONS AND PROCEEDINGS

K2 Energy is aware of its environmental obligations with regards to its exploration activities and ensured that it complied with all regulations when carrying out any exploration work in the USA.

COVID-19, CLIMATE CHANGE AND THE UKRAINIAN WAR

During the year, and into the foreseeable future, the Coronavirus (COVID 19) pandemic continues to impact both communities and businesses throughout the world including Australia and the community where the Group operates. The scale, timing and duration of the potential impacts on the Company is unknown, as are any future mitigating factors. The Board continues to closely monitor the impacts of COVID 19 on the Company's interests and will respond as appropriate.

Further, the Board acknowledges the continuing impact climate change and the current Ukrainian war may have on the Company's operations. The Board continues to closely monitor the impacts of climate change and the Ukrainian war and will respond as appropriate.

BUSINESS RISKS

The value of the Company's investment in Atomera may be affected by the following business risks applicable to the Atomera business

Atomera's share price and liquidity

The company has a significant investment in Atomera. Atomera is subject to a general market risk inherent in all securities traded on a stock exchange. The market price for Atomera's shares may fluctuate over time as a result of a number of factors, including the financial performance and prospects of the Company, prevailing market conditions, commodity prices and foreign exchange movements, general investor sentiment, inflation, geo-political conditions, fiscal policy and interest rate rises, as well as the liquidity and volume of the shares being bought or sold at any point in time. Atomera's shares may therefore rise above or below the current share price, depending on its financial performance and various other factors which are outside of its control.

Atomera's competitors

There is a risk that the competitive landscape might change and new competitors might emerge or existing competitors might be taken over by larger and better resourced companies which may offer services that compete with the products and technology developed by Atomera. There can be no assurance that a competitor of Atomera will not develop or achieve commercialisation of services that compete with, or supersede, Atomera services or products.

Atomera's Intellectual property

Securing rights in technology and patents is an integral part of securing potential product value in the outcomes of Atomera's technological research and development. Competition in retaining and sustaining protection of technology and the complex nature of technologies can lead to patent disputes. Atomera's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of such companies can be highly uncertain and frequently involves complex legal and factual questions, neither the breadth of claims allowed in patents nor their enforceability can be predicted. There can be no assurance that any patents which Atomera may own, access or control will afford Atomera commercially significant protection of its technology or its products or have commercial application, or that access to these patents will mean that Atomera will be free to commercialize its products. The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop technology or products to avoid Atomera's patented technology. The value of the Company's investment in Atomera may be affected by the following business risks applicable to the Atomera business

Atomera's future manufacturing

There are numerous risks which may be associated with manufacturing Atomera's products in the future. Any unforeseen difficulty relating to manufacturing, disruption to supply, shortages of input materials, delays in locating appropriate manufacturers or changes to arrangements with, or capacity of, any third-party manufacturers, may negatively impact Atomera's ability to generate revenue.

REMUNERATION REPORT

Remuneration Policy

The remuneration policy of K2 Energy Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component, which is assessed on an annual basis in line with market rates. The Board of K2 Energy Limited, all of whom are non-executive directors, believe the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as to create goal congruence between directors and shareholders. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration for the Directors has been accrued in the 2015-2018, 2022 and 2023 financial years. The accrued fees will be paid in the future dependent on the Company's working capital position. No fees were accrued for the 2019, 2020 and 2021 financial years. In future years fees will be paid dependent on the Company's working capital position.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy for any executives is developed and approved by the Board after seeking professional advice from independent external consultants.

In determining competitive remuneration rates, the Board would normally seek independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

The Board's normal policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. As advised in the previous year Director's fees ceased being paid so as to conserve the Company's funds. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The Remuneration Committee consists of the majority of the Board. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

(a) Directors' and Key Management Personnel Remuneration

(i) Directors

Samuel Gazal	– Non-Executive Director
Ken Gaunt	– Non-Executive Director
Ellie Dawkins	– Non-Executive Director

(ii) Executives

During the year ended 30th June 2023 there were no executives.

Except as detailed in Notes (b)-(d) to the remuneration report, no director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in Notes (b)-(d) to the remuneration report, prepared in accordance with the Corporations regulations, or the fixed salary of a full time employee of the Company.

REMUNERATION REPORT (continued)

(b) Directors' and Key Management Personnel Remuneration

The following table discloses the remuneration of Directors of the company for the year ended 30 June 2023, as specified for disclosure by AASB 124. The information contained in this table is audited.

Directors	Short Term		Post-employment	
	Base Salary and Fees \$	Share Option Expense \$	Superannuation Contributions \$	TOTAL \$
Sam Gazal				
30 June 2023	35,000	-	-	35,000
30 June 2022	35,000	-	-	35,000
Ken Gaunt				
30 June 2023	25,000	-	-	25,000
30 June 2022	25,000	-	-	25,000
Ellie Dawkins				
30 June 2023	25,000	-	-	25,000
30 June 2022	25,000	-	-	25,000
Total 2023	85,000	-	-	85,000
Total 2022	85,000	-	-	85,000

The above remuneration for the current financial year was payable to entities associated with the Directors.

Share and Option holdings

Details of options and shares held by key management personnel (including those holding entities associated with Directors) are set out below.

Shares held by Key Management Personnel

Year ended 30 June 2023

	Balance at beginning of year	Shares Issued	Bought & (Sold)	Balance at end of year
Directors				
Samuel Gazal	17,966,667	-	-	17,966,667
Ken Gaunt	12,999,260	-	-	12,999,260
Ellie Dawkins	-	-	-	-
Total	30,965,927	-	-	30,965,927

REMUNERATION REPORT (continued)

(b) Directors' and Key Management Personnel Remuneration

Shares held by Key Management Personnel

Year ended 30 June 2022

	Balance at beginning of year	Shares Issued	Bought & (Sold)	Balance at end of year
Directors				
Samuel Gazal	17,966,667	-	-	17,966,667
Ken Gaunt	12,999,260	-	-	12,999,260
Ellie Dawkins	-	-	-	-
Total	30,965,927	-	-	30,965,927

Options held by Key Management Personnel

No options were held during the financial year or the previous financial year.

(c) Compensation Options: Granted and vested during and since the financial year ended 30 June 2023

No shares were issued on exercise of compensation options during the financial year or previous financial year.

(d) Options issued as Part of Remuneration

No options were issued as part of remuneration during the financial year or previous financial year.

(e) Employment Contracts of Directors and Senior Executives

There are no contracts with directors.

(f) Transactions with Key Management Personnel and Related Entities

No amounts (2022: \$100,833) were paid to Winchester Associates Pty Limited (a company associated with Mr Gazal) for company secretarial services, accounting and reporting functions and financial advisory services provided to K2 Energy Limited. The 2022 payment represented a part payment of fees accrued during the 2015, 2016, 2017 and 2018 financial years. In the current year accounts no amount was paid to Winchester Associates for management services provided to the Company during the 2023 financial year. An accrual of \$113,334 was made for services provided by Winchester Associates Pty Limited during the current financial year (2022: \$113,334). Amounts accrued will be paid in the future dependent on the Company's working capital position.

During the year an amount of \$12,000 (2022: \$12,000) was paid to Mauncia Pty Limited (a company associated with Mr Gazal) for the use of the Company's registered office premises.

MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial year and the number of meetings attended by each director are:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
			AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Samuel Gazal	2	2	2	2	1	1
Ken Gaunt	2	2	2	2	1	1
Ellie Dawkins	2	2	-	-	-	-

OPTIONS

At the date of this report there were no options over ordinary shares in the Company on issue.

BOARD MEMBERS DIRECTORSHIPS

No listed public company directorships have been held by Board Members over the last three years other than by Mr Gaunt, who was the Chief Executive Officer of Jaxsta Limited (formerly Mobilarm Limited) until his resignation in December 2018 and rejoined the Board of that company as a non-executive Director in March 2020 and is still a director of that company.

DIRECTORS' INTERESTS IN SECURITIES

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length. The relevant interests of each director in share capital at the date of this report are as follows:-

	Number of Shares	Number of Options
Samuel Gazal *	17,966,667	-
Ken Gaunt *	12,999,260	-
Ellie Dawkins	-	-
	<u>30,965,927</u>	<u>-</u>

* Held by an entity associated with the Director and in which he has a financial interest.

INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer, auditor or agent of the Company shall be indemnified by the Company against a liability incurred as an auditor, an officer or an employee of the Company, other than a liability owed to the Company or a Related Company; a liability for a penalty order under S1317G of the Act or a compensation order under Section 1317H of the Act; or a liability that is owed to someone other than the Company or a Related Company and did not arise out of conduct of good faith.

The Company currently has no insurance in respect of directors' and officers' liability.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of K2 Energy Limited support and have adhered to key principles of corporate governance.

K2 Energy Limited is aware of its Corporate Governance Disclosure Obligations under Section 11A clause 6.4 of the NSX Listing Rules and of NSX's 'principled' rather than prescriptive approach to the disclosure of Corporate Governance arrangements in respect of the Company. In recognising the need for the highest standards of corporate behaviour and accountability, the directors of K2 Energy Limited support and have adhered to key principles of corporate governance.

Please refer to the Corporate Governance Statement of K2 Energy Limited on our website for more information <http://www.k2energy.com.au/index.php/corporate/corporate-governance>.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2023 has been received and can be found on page 39 of the annual report.

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2023:
- Taxation services \$1,750

This report is made in accordance with a resolution of the directors.



Mr Ken Gaunt
Director
31st August 2023

K2 ENERGY LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
Other revenue	5	415	173
Administration and corporate expenses	6	(281,805)	(273,045)
Exploration expenditure		-	-
Foreign exchange gain/(loss)		425	848
Loss before income tax expense		(280,965)	(272,024)
Income tax (expense)/benefit	7	(106,826)	(2,341,542)
(Loss)/profit for the year		(387,791)	(2,613,566)
Basic (loss)/profit per share (cents)	8	(0.13)	(0.87)

The accompanying notes form part of these financial statements.

K2 ENERGY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$	\$
(Loss)/profit for the period	(387,791)	(2,613,566)
<i>Items that may be reclassified subsequently to the income statement</i>		
Other comprehensive income:		
Fair value (decrement)/increment on financial assets	11 (167,351)	(7,805,140)
Deferred tax on financial asset revaluations	106,826	2,341,542
Total other comprehensive income for the year	(60,525)	(5,463,598)
Total comprehensive income attributable to members of the parent entity	(448,316)	(8,077,164)

The accompanying notes form part of these financial statements.

K2 ENERGY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023 \$	2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	403,740	145,335
Trade and other receivables	10	1,871	1,023
TOTAL CURRENT ASSETS		405,611	146,358
NON-CURRENT ASSETS			
Financial assets	11	6,627,784	7,141,970
Deferred tax assets	7	993,835	1,100,661
Deferred exploration, evaluation and development costs	12	-	-
TOTAL NON-CURRENT ASSETS		7,621,619	8,242,631
TOTAL ASSETS		8,027,230	8,388,989
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	586,250	392,867
TOTAL CURRENT LIABILITIES		586,250	392,876
NON-CURRENT LIABILITIES			
Deferred tax liabilities	7	993,835	1,100,661
TOTAL NON-CURRENT LIABILITIES		993,835	1,100,661
TOTAL LIABILITIES		1,580,085	1,493,528
NET ASSETS		6,447,145	6,895,461
EQUITY			
Equity attributable to equity holders of the parent:			
Issued capital	14	48,208,668	48,208,668
Reserves	15	5,062,850	5,123,375
Accumulated losses		(46,824,373)	(46,436,582)
TOTAL EQUITY		6,447,145	6,895,461

The accompanying notes form part of these financial statements.

K2 ENERGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Option Reserve \$	Asset Revaluation Reserve \$	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 30 June 2021	2,621,100	7,965,873	48,208,668	(43,823,016)	14,972,625
Other comprehensive income:					
Fair value decrement on financial assets	-	(7,805,140)	-	-	(7,805,140)
Deferred tax on revaluations	-	2,341,542	-	-	2,341,542
Loss attributable to members	-	-	-	(2,613,566)	(2,613,566)
Balance at 30 June 2022	2,621,100	2,502,275	48,208,668	(46,436,582)	6,895,461
Other comprehensive income:					
Fair value decrement on financial assets	-	(167,351)	-	-	(167,351)
Deferred tax on revaluations	-	106,826	-	-	106,826
Loss attributable to members	-	-	-	(387,791)	(387,791)
Balance at 30 June 2023	2,621,100	2,441,750	48,208,668	(46,824,373)	6,447,145

The accompanying notes form part of these financial statements.

K2 ENERGY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Payments for operations and employees		(89,272)	(388,758)
Interest received		415	186
Net cash flows used in operating activities	16	(88,857)	(388,572)
Cash flows from investing activities			
Proceeds on sale of shares		346,837	-
Net cash provided by investing activities		346,837	-
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Share issuance costs		-	-
Net cash provided by financing activities		-	-
Net decrease in cash and cash equivalents		257,980	(388,572)
Cash and cash equivalents at beginning of the year		145,335	533,060
Net foreign exchange difference		425	847
Cash and cash equivalents at end of year	17	403,740	145,335

The cash balances at 30 June 2022 and 30 June 2023 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 YEAR ENDED 30 JUNE 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

K2 Energy Limited is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2023 comprise the Company and its controlled entities (together referred to as the 'Consolidated Entity'). The Consolidated Entity owns the worldwide rights to all intellectual property covering solar energy applications developed by Atomera, Inc., has an investment in Atomera, Inc. and has oil and gas interests in the USA.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Consolidated Entity and the financial report of the Company comply with International Financial Reporting Standards and Interpretations adopted by the International Accounting Standards Board.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

d. Use of judgments and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following areas:

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Consolidated Entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all entities in the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of Consolidation

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in controlled entities are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b. Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of controlled entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary transactions denominated in foreign currencies that are stated at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the date the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, generally are translated to the functional currency at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to the functional currency at rates approximating the foreign exchange rates ruling at the dates of transactions. Foreign currency differences arising from translation of controlled entities with a different functional currency to that of the Consolidated Entity are recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount of its FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

c. Impairment

The carrying amounts of the Consolidated Entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit or a group of units and then, to reduce the carrying amount of the other assets in the unit or a group of units on a pro-rata basis.

Calculation of recoverable amount - Receivables

The recoverable amount of the Consolidated Entity's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed.

Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date. The allowance for impairment is calculated with reference to the profile of debtors in the Consolidated Entity's sales and marketing regions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Impairment (continued)

Other Assets

The recoverable amount of other assets is the greater of their fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets (cash generating units). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to the cash generating units that are expected to benefit from the synergies of the combination. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of Impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

d. Employee Benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to settle within 12 months of the year end represent present obligations resulting from employees' services provided up to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

e. New standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2023. The Consolidated Entity has assessed that none of the new or amended Accounting Standards and Interpretations will have a financial impact on the consolidated entity.

f. New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

g. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Current and non-current classification (continued)

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

h. Fair value measurement

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value measurement hierarchy

The Consolidated Entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

4. FINANCIAL RISK MANAGEMENT

Overview

The Company and Consolidated Entity have exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's and the Consolidated Entity's exposure to each of above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of directors has overall responsibility for the establishment and oversight of the risk management and monitors operational and financial risk management throughout the Consolidated Entity.

Monitoring risk management includes ensuring appropriate policies and procedures are published and adhered to. The Management reports to the Audit Committee.

The Board aims to manage the impact of short-term fluctuations on the Company's and the Consolidated Entity's earnings. Over the longer term, permanent changes in market rates will have an impact on earnings.

The Company and the Consolidated Entity are exposed to risks from movements in exchange rates, commodity prices and interest rates that affect revenues, expenses, assets, liabilities and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

Exposure to credit, commodity prices, foreign exchange and interest rate risks arises in the normal course of the Company's and the Consolidated Entity's business. Derivative financial instruments are not used to hedge exposure to fluctuations in foreign exchange rates, interest rates or commodity prices.

The Audit Committee oversees adequacy of the company's risk management framework in relation to the risks faced by the Company and the Consolidated Entity.

5. REVENUE

ACCOUNTING POLICY

Income Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Interest

Control of the right to receive the interest payment.

Interest income is recognised as it accrues in the income statement using the effective interest method.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

	30 June 2023	30 June 2022
Other revenue	\$	\$
Interest received/receivable	415	173

6. ADMINISTRATION, CORPORATE EXPENSES AND DIRECTORS' FEES

An accrual of \$113,334 was made in the loss for the year for company secretarial services, accounting and reporting functions and financial advisory services provided to the Company (2022: \$113,334) and Directors' fees \$85,000 (2022: \$85,000).

During the year an amount of \$12,000 (2022: \$12,000) was paid to Mauncia Pty Limited (a company associated with Mr Gazal) for the use of the Company's registered office premises.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

7. INCOME TAXES

ACCOUNTING POLICY

Income tax expense in the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of goodwill and other assets or liabilities in a transaction that affects neither accounting nor taxable profit, or differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based upon the laws that have been enacted at reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on a different tax entity but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(a) Tax benefit/(expense)	30 June 2023 \$	30 June 2022 \$
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Loss for the year	(280,965)	(272,024)
Income tax benefit calculated at 30%	84,290	81,607
Add/(less) tax effect of:		
Temporary differences not recognised	-	-
Utilisation of tax losses not previously recognised as deferred tax assets	-	-
Prior year tax losses recognised/(derecognised) as deferred tax assets	(191,116)	(2,423,149)
Income tax (expense)/benefit	(106,826)	(2,341,542)
(b) Deferred tax assets		
Deferred tax asset recognised for tax losses	993,835	1,100,661
(c) Deferred tax liabilities		
Deferred tax liability recognised for asset revaluations	993,835	1,100,661

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

8. EARNINGS PER SHARE

ACCOUNTING POLICY

The Consolidated Entity presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the net loss attributable to equity holders of the parent for the financial period, after excluding any costs of servicing equity (other than ordinary shares) by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated using the basic EPS earnings as the numerator. The weighted average number of shares used as the denominator is adjusted by the after-tax effect of financing costs associated with the dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares adjusted for any bonus issue.

The following reflects the loss and share data used in the calculations of basic and diluted loss per share.

	2023	2022
Net (loss)/profit used in calculating basic and diluted loss per share	(\$387,791)	(\$2,613,566)
Basic and diluted (loss)/profit per share (cents per share)	(0.13)	(0.87)
Weighted average number of shares used in the calculation of basic and diluted loss per share	300,657,151	300,657,151
Shares on issue at year end	300,657,151	300,657,151
Number of options on issue at year end	-	-

9. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

	30 June 2023	30 June 2022
	\$	\$
Cash at bank – A\$ Accounts	393,267	135,287
Cash at bank – USD Accounts	10,473	10,048
	<u>403,740</u>	<u>145,335</u>

Cash at bank earns interest at floating rates based on daily bank deposit rate.

10. TRADE & OTHER RECEIVABLES

ACCOUNTING POLICY

Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy 3(c)).

Current

Other debtors	1,871	1,023
	<u>1,871</u>	<u>1,023</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

11. FINANCIAL ASSETS

ACCOUNTING POLICY

The Group classifies its financial assets in the following categories:

- (i) Financial assets at amortised cost;
- (ii) Financial assets at fair value through other comprehensive income;
- (iii) Financial assets at fair value through profit or loss.

Financial assets at amortised cost

Financial assets included in this category need to meet two criteria:

- The financial asset is held in order to collect contractual cash flows; and
- The cash flows are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

At initial recognition an election may be made to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. After initial recognition investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the assets are not measured at amortised cost or classified as financial assets at fair value through other comprehensive income.

	30 June 2023	30 June 2022
	\$	\$
Financial assets at fair value through other comprehensive income:		
Shares in listed company*	6,627,784	7,141,970
	<u>6,627,784</u>	<u>7,141,971</u>

* K2 has an investment in Atomera, Inc. ("Atomera"), which is listed on NASDAQ. At 30th June 2023 K2 owned 500,000 shares (2022: 523,846 shares) of common stock in Atomera.

In response to a lift in Atomera's share price during the June 2023 quarter, the Company reduced its holding in Atomera to 500,000 shares.

As at 30th June 2023 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 are revalued to fair value using the quoted price of Atomera shares on NASDAQ on 30th June 2023, which was US\$8.75 per share. This revaluation to fair value resulted in a fair value decrement of \$167,351 (refer to Note 27)

	30 June 2023	30 June 2022
	\$	\$
Opening balance	7,141,970	14,947,110
Fair value decrement on financial assets	(167,351)	(7,805,140)
Proceeds on sale of shares	(346,835)	-
	<u>6,627,784</u>	<u>7,141,971</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

12. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	30 June 2023	30 June 2022
	\$	\$
Exploration and evaluation costs carried forward in respect of oil and gas exploration areas of interest	-	-
Movement in carrying amounts		
Opening balance	-	-
Interest acquired during the year*	-	-
Foreign exchange fluctuation	-	-
Exploration expenditure expensed during the year	-	-
Closing balance	-	-

* K2 owns a 1% interest in the Horace Greeley oil and gas drilling prospect in Conecuh County, Alabama, USA. 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 12,500 feet, and whilst oil shows were encountered, the well was not commercial, particularly with current low oil prices.

13. TRADE & OTHER PAYABLES

ACCOUNTING POLICY

Trade and other payables are stated at amortised cost.

Current

Accruals	586,250	392,867
	<u>586,250</u>	<u>392,867</u>

Included in the accruals balance are amounts totalling \$577,948 (2022: \$379,165) accrued for company secretarial services, accounting and reporting functions and financial advisory services provided to the Company and Directors' fees, which were accrued during the 2015, 2016, 2017, 2018, 2022 and 2023 financial years.

These amounts will be paid in the future dependent on the Company's working capital position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

14. SHARE CAPITAL

ACCOUNTING POLICY

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any income tax benefit.

Capital management

The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns to shareholders, to provide benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board aims to maintain and develop a capital base appropriate to the Consolidated Entity. In order to maintain or adjust the capital structure, the Consolidated Entity can issue new shares. The Board of directors undertakes periodic reviews of the Consolidated Entity's capital management position to assess whether the capital management structure is appropriate to meet the Consolidated Entity's medium and long-term strategic requirements. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements. There were no significant changes in the Consolidated Entity's approach to capital management during the year.

	30 June 2023	30 June 2022
Issued and paid up capital	\$	\$
300,657,151 (2022: 300,657,151) Ordinary shares fully paid	48,208,668	48,208,668
(a) Movements in paid up capital		
At the beginning of the reporting period	48,208,668	48,208,668
Issue of shares net of expenses	-	-
At end of reporting period	48,208,668	48,208,668
(b) Movements in shares on issue		
	2023	2022
	# shares	# shares
At the beginning of the reporting period	300,657,151	300,657,151
Shares issued during the period	-	-
At end of reporting period	300,657,151	300,657,151

(c) Options

At the end of the reporting period, there were no options on issue (2022: Nil). No options expired during the year (2022: Nil).

Terms and conditions of contributed equity

Ordinary shares

Holders of ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options over ordinary shares

No options were exercised during the year (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

15. RESERVES	30 June 2023	30 June 2022
	\$	\$
OPTION RESERVE		
Balance at beginning of the year	2,621,100	2,621,100
Share and option expense	-	-
Balance at end of the year	<u>2,621,100</u>	<u>2,621,100</u>

Nature and purpose of reserve

The share based payment reserve is used to recognise the fair value of options issued.

ASSET REVALUATION RESERVE		
Balance at beginning of the year	2,502,275	7,965,873
Asset revaluation to fair value	(167,351)	(7,805,140)
Deferred tax on asset revaluations	106,826	2,341,542
Balance at end of the year	<u>2,441,750</u>	<u>2,502,275</u>

Nature and purpose of reserve

The asset revaluation reserve is used to recognise the fair value (decrement)/increment on financial assets.

16. RECONCILIATION OF OPERATING PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

Net (loss)/profit	(387,791)	(2,613,566)
Non-cash items		
Recognition of deferred tax asset	106,826	2,341,542
Net exchange differences	(425)	(847)
Changes in assets and liabilities		
(Increase)/decrease in receivables	(848)	2,300
(Decrease)/increase in payables and accruals	193,381	(118,001)
Decrease/(increase) in deferred exploration, evaluation and development costs	-	-
Net cashflows used in operating activities	<u>(88,857)</u>	<u>(388,572)</u>

17. RECONCILIATION OF CASH

Cash balances comprises		
- Cash at bank	393,267	135,287
- US Dollar accounts	10,473	10,048
	<u>403,740</u>	<u>145,335</u>

18. LOSS FOR THE YEAR

Loss before related income tax expense includes the following net gains and expenses:

Net foreign currency gains/(losses)	<u>425</u>	<u>848</u>
-------------------------------------	------------	------------

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. REMUNERATION OF AUDITOR	30 June 2023	30 June 2022
	\$	\$
Remuneration of the Company's auditors for:		
Auditing or reviewing the financial report	8,500	8,500
Other services	1,500	1,500
Total auditors' remuneration included in operating result	10,000	10,000

20. SEGMENT INFORMATION

ACCOUNTING POLICY

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 oil and gas activities in the USA, its solar energy activities and its interest in Atomera Inc.

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

Geographical location:	Australia	USA	Total
2023	\$	\$	\$
External sales revenue	-	-	-
Non-current assets	-	6,627,784	6,627,784

Geographical location:	Australia	USA	Total
2022	\$	\$	\$
External sales revenue	-	-	-
Non-current assets	-	7,141,970	7,141,970

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

20. SEGMENT INFORMATION (continued)

Information about reportable segments

Operating Segment	Atomera, Inc. Solar	Atomera, Inc. (CMOS)	Oil & Gas	Total
2023	\$	\$	\$	\$
Segment assets	-	6,627,784	-	6,627,784
External sales revenue	-	-	-	-
Segment loss before tax	-	-	-	-
Unallocated expense items				(281,805)
Foreign exchange gain				425
Interest received/receivable				415
Loss before tax				(280,965)
Income tax expense				(106,826)
Loss after tax				(387,791)

Operating Segment	Atomera, Inc. Solar	Atomera, Inc. (CMOS)	Oil & Gas	Total
2022	\$	\$	\$	\$
Segment assets	-	7,141,970	-	7,141,970
External sales revenue	-	-	-	-
Segment loss before tax	-	-	-	-
Unallocated expense items				(273,045)
Foreign exchange loss				848
Interest received/receivable				173
Loss before tax				(272,024)
Income tax benefit				(2,341,542)
Profit after tax				(2,613,566)

21. INTEREST IN SUBSIDIARIES AND ASSOCIATES

Interests are held in the following subsidiaries

Name	Country of Incorporation	Ownership Interest	
		2023	2022
		%	%
K2 Energy Investments Pty Limited	Australia	100	100
K2 Merger Subsidiary Inc.	USA	100	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

22. SHARE BASED PAYMENTS

ACCOUNTING POLICY

Share based payments

The Company had granted options to certain directors and employees. The fair value of options and shares granted was recognised as an expense with a corresponding increase in equity. The fair value was measured at the date the options or shares were granted taking into account market-based criteria and expensed over the vesting period after which the employees become unconditionally entitled to the options and shares. The fair value of the options granted is measured using the Black-Scholes method, taking into account the terms and conditions attached to the options. The fair value of the performance shares granted is measured using the weighted average share price of ordinary shares in the Company, taking into account the terms and conditions attached to the shares. The amount recognised as an expense is adjusted to reflect the actual number of options and shares that vest except where forfeiture is due to market related conditions.

There were no share-based payments during the financial year (2022: nil).

23. 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.

24. CONTINGENT LIABILITIES AND COMMITMENTS

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

25. RELATED PARTY DISCLOSURES

Ultimate Parent

K2 Energy Limited is the ultimate Australian parent company.

Other Related Party Transactions

No amounts (2022: \$100,833) were paid to Winchester Associates Pty Limited (a company associated with Mr Gazal) for company secretarial services, accounting and reporting functions and financial advisory services provided to K2 Energy Limited. The 2022 payment represented a part payment of fees accrued during the 2015, 2016, 2017 and 2018 financial years. In the current year accounts no amount was paid to Winchester Associates for management services provided to the Company during the 2023 financial year. An accrual of \$113,334 was made for services provided by Winchester Associates Pty Limited during the current financial year (2022: \$113,334). Amounts accrued will be paid in the future dependent on the Company's working capital position.

During the year an amount of \$12,000 (2022: \$12,000) was paid to Mauncia Pty Limited (a company associated with Mr Gazal) for the use of the Company's registered office premises.

All the above payments were made on normal commercial terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

26. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of Key Management Personnel

Directors during the year ended 30 June 2023 were:

Samuel Gazal	- Non-Executive Chairman
Ken Gaunt	- Non-Executive Director
Ellie Dawkins	- Non-Executive Director

(b) Compensation Practices and Key Management Personnel Compensation

Details of compensation practices and key management personnel compensation are disclosed in the Directors' Report, which accompanies these financial statements.

(c) Other Transactions and Balances with Key Management Personnel

Disclosures relating to other transactions and balances with key management personnel during the financial year are set out in Note 25 and the Remuneration Report. There were no loans to key management personnel during the financial year.

27. FINANCIAL INSTRUMENTS

Credit Risk

ACCOUNTING POLICY

Credit risk is the risk of financial loss to the Company or the Consolidated Entity if a customer, controlled entity or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's and the Consolidated Entity's receivables from customers.

Trade and other receivables

The Company's and Consolidated Entity's exposure to credit risk is influenced mainly by the geographical location and characteristics of individual customers. The Consolidated Entity does not have a significant concentration of credit risk with a single customer.

Policies and procedures of credit management and administration of receivables are established and executed at a regional level.

In monitoring customer credit risk, the ageing profile of total receivables balances is reviewed by management by geographic region on a monthly basis.

The Company and the Consolidated Entity have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	30 June 2023	30 June 2022
	\$	\$
Cash and equivalents	403,740	145,335
Other receivables	1,871	1,023
	<u>405,611</u>	<u>146,358</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

27. FINANCIAL INSTRUMENTS (continued)

Credit Risk (continued)

The maximum exposure to credit risk for trade receivables and other financial assets at the reporting date by geographic region was:

	30 June 2023	30 June 2022
	\$	\$
United States	-	-
Australia	1,871	1,023
	<u>1,871</u>	<u>1,023</u>

Impairment Losses

The aging of trade receivables and other financial assets at the reporting date was:

Gross receivables

Not past due date	1,871	1,023
Past due 30- 90	-	-
Past due 90 days and over	-	-
	<u>1,871</u>	<u>1,023</u>
Impairment	<u> </u>	<u> </u>
Trade receivables and other financial assets net of impairment loss	<u>1,871</u>	<u>1,023</u>

There was no movement in the allowance for impairment in respect of trade receivables and other financial assets during the year.

No impairment losses have been recognised in the year.

Based upon past experience, the Consolidated Entity believes that no impairment allowance, other than as provided in these accounts is necessary in respect of trade and other receivables not past due.

The allowance accounts used in respect of trade and other receivables are used to record impairment losses unless the Consolidated Entity is satisfied that non-recovery of the amount owing is possible; at that point, the amount considered non-recoverable is written off against the financial asset directly.

Currency Risk

ACCOUNTING POLICY

The Consolidated Entity's exploration activities and investment in Atomera, Inc. are denominated in US currency and are exposed to currency risk on the value of its exploration assets and investments that are denominated in United States dollars (USD).

None (2022-Nil) of the Consolidated Entity's revenues and Nil (2022-Nil) of costs are denominated in currencies other than AUD. Risk resulting from the translation of assets and liabilities of foreign operations into the Consolidated Entity's reporting currency is not hedged. It is noted however that Atomera shares are traded on NASDAQ in USD and therefore the value of the Company's investment and any resultant profit or losses will be impacted by any movements in the currency exchange rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

27. FINANCIAL INSTRUMENTS (continued)

Currency Risk (continued)

Consolidated Entity's exposure to foreign currency (USD) risk was as follows, based upon notional amounts:

	30 June 2023	30 June 2022
	\$	\$
Amounts local currency		
Cash and equivalents	10,473	10,048
Receivables	-	-
Investments (note 11)	6,627,784	7,141,970
Deferred exploration, evaluation and development costs (note 12)	-	-
	6,638,257	7,152,018

The following significant exchange rates applied to the Company and the Consolidated Entity during the year:

	Average Rate		Reporting date spot rate	
AUD = 1	2023	2022	2023	2022
USD	-	-	0.6601	0.6880

Market Risk

ACCOUNTING POLICY

Market risk is the risk that changes in market prices such as foreign exchange rates, commodity prices interest rates and equity prices will affect the Company's and the Consolidated Entity's net loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company's investment in Atomera, Inc. which is listed on NASDAQ (Note 11) is exposed to fluctuations in that company's share price. The share price at 30th June 2023 was US\$8.75 (2022: US\$9.38).

Interest Rate Risk

ACCOUNTING POLICY

The Consolidated Entity is exposed to interest rate risks in relation to the return earned on its funds on deposit and invested. The Consolidated Entity does not have short or long term debt, and therefore risk is minimal.

Profile

At the reporting date, the interest rate profile of the Company's and the Consolidated Entity's interest-bearing financial instruments was:

	30 June 2023	30 June 2022
	\$	\$
Variable rate instruments		
Financial assets	403,740	145,335
Financial liabilities	-	-

Liquidity Risk

ACCOUNTING POLICY

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

27. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk (continued)

The Consolidated Entity monitors cash flow requirements and produces cash flow projections for the short and long term with a view to optimising return on investments. Typically, the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational net cash flows for a period of at least 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of the Consolidated Entity's financial assets and liabilities including estimated interest payments.

2023	Effective interest rate p.a.	Carrying amount \$	Less than 1 year	1-5 years	More than 5 years
Cash and cash equivalents	0.001%	403,740	403,740	-	-
Other receivables		1,871	1,871	-	-
Other payables		(586,250)	(586,250)	-	-
Total		(180,639)	(180,639)	-	-

2022	Effective interest rate p.a.	Carrying amount \$	Less than 1 year	1-5 years	More than 5 years
Cash and cash equivalents	0.001%	145,335	145,335	-	-
Other receivables		1,023	1,023	-	-
Other payables		(392,867)	(392,867)	-	-
Total		(246,509)	(246,509)	-	-

Sensitivity Analysis

In managing interest rate, market risks and currency risks, the Consolidated Entity aims to reduce the impact of short-term fluctuations on the Consolidated Entity's earnings. Over the longer term however, permanent changes in foreign exchange rates, the share price of the listed investment and interest rates will have an impact on the result.

For the year ended 30 June 2023, it is estimated that a general increase of one percent in interest rates would have decreased the Consolidated Entity's loss after income tax and equity by approximately \$2,584 (2022: decreased the loss by \$2,261). A one percent decrease in interest rates would have had the equal but opposite effect on the Consolidated Entity's profit or loss and equity in the prior year but no interest would have been paid in the current year.

It is estimated that a general increase of ten percent in the value of the AUD against the USD would have increased the Consolidated Entity's loss for the year ended 30 June 2023 by approximately nil (2022: increase the loss by \$115), and decreased the Consolidated Entity's equity by approximately nil (2022: decrease the equity by \$115). A ten percent decrease in the value of the AUD against the USD would have decreased the Company's loss for the year by approximately nil (2022: decreased the loss by \$115) and decreased the Consolidated Entity's equity by approximately nil (2022: decreased the equity by \$115).

It is estimated that an increase of ten percent in the market value of the Company's investment in Atomera, Inc. would not have changed the Consolidated Entity's loss for the year ended 30 June 2023 (2022: nil) but would have increased the equity by an amount of \$662,778 (2022: \$714,197), due to the change to the fair value on the financial asset. It is estimated that a decrease of ten percent in the market value of the Company's investment in Atomera, Inc. would not have changed the Consolidated Entity's loss for the year ended 30 June 2023 (2022: nil) but would have decreased the equity by an amount of \$662,778 (2022: \$714,197) due to the change to the fair value on the financial asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

27. FINANCIAL INSTRUMENTS (continued)

Sensitivity Analysis (continued)

Fair Values

The fair values of financial assets and liabilities, together with carrying amounts shown in the balance sheet are as follows:

	30 June 2023		30 June 2022	
	\$		\$	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and equivalents	403,740	403,740	145,335	145,335
Investments				
- listed investment (at fair value)	6,627,784	6,627,784	7,141,970	7,141,970
Trade and other receivables – current	1,871	1,871	1,023	1,023
Trade and other payables	(586,250)	(586,250)	(392,867)	(392,867)
Total	6,447,145	6,447,145	6,895,461	6,895,461

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

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 30 June 2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	
Investments				
- listed investment	6,627,784	-	-	6,627,784
Total	6,627,784	-	-	6,627,784

At 30 June 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	
Investments				
- listed investment	7,141,970	-	-	7,141,970
Total	7,141,970	-	-	7,141,970

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

27. FINANCIAL INSTRUMENTS (continued)

Fair Values (continued)

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.

Revaluation decrements to fair value of \$167,351 have been recorded in the Company's asset revaluation reserve for the year ended 30th June 2023 (2022: decrement of \$7,805,140). The market value at 30th June 2023 for Atomera, Inc. shares on the NASDAQ exchange was US\$8.75 (2022: US\$9.38) and the AUD/USD exchange rate used was 1 AUD = 0.6601 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).

28. PARENT ENTITY DISCLOSURES

At and throughout the financial year ended 30 June 2023, the parent company was K2 Energy Limited.

Result of the parent entity	30 June 2023	30 June 2022
	\$	\$
Net (loss)/profit	(387,791)	(2,613,934)
Other comprehensive income	(60,525)	(5,463,598)
Total comprehensive income	(448,316)	(8,077,532)
Financial position of the parent entity at year end		
Current assets	393,141	135,890
Total assets	8,016,481	8,378,522
Current liabilities	584,750	391,367
Total liabilities	1,576,864	1,492,029
Total equity of the parent entity comprising of:		
Issued capital	48,208,668	48,208,668
Reserves	5,062,850	5,123,375
Accumulated losses	(46,833,622)	(46,445,550)
Total Equity	6,437,896	6,886,493

Parent entity contingencies


The details of all contingent liabilities and future commitments in respect to K2 Energy Limited are disclosed in Note 24.

K2 ENERGY LIMITED A.C.N 106 609 143 DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 10 to 34, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date of the Company and Consolidated Entity; and
2. the Chairman and Company Secretary have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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 made in accordance with a resolution of the Board of Directors.



Mr Ken Gaunt
Director
31st August 2023



STIRLING INTERNATIONAL

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the members of K2 Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of K2 Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of investment in Atomera Inc.

As disclosed in note 11 the Group holds an investment in Atomera Inc. ("Atomera") of \$6,627,784. This is the most significant asset of the Group. The carrying value is based on the quoted price of Atomera shares on NASDAQ at 30 June 2023. There is a risk that this asset may become impaired. To address this risk our audit procedures included the following:

- We reviewed movements in the quoted price of Atomera shares subsequent to 30 June 2023;
- We reviewed SEC filings and press releases made by Atomera.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of K2 Energy Limited, for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Stirling International

Chartered Accountants

A handwritten signature in black ink, appearing to read 'Keanu Arya', followed by a period.

Keanu Arya

370 Pitt Street Sydney NSW 2000

31st August 2023

Liability limited by a scheme approved under Professional Standards Legislation

**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 year ended 30 June 2023 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

A handwritten signature in black ink, appearing to read 'Keanu Arya', followed by a period.

Keanu Arya
31st August 2023
370 Pitt St Sydney 2000

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the company as at 24 August 2023 were as follows:

Number Held	Fully Paid Ordinary Shares	Holders	%
1-1,000	66,875	235	0.02%
1,001 - 5,000	427,078	142	0.14%
5,001 – 10,000	1,791,553	226	0.60%
10,001 - 100,000	19,621,893	531	6.53%
100,001 and over	278,749,752	256	92.71%
TOTALS	300,657,151	1,390	100.00%

Holders of less than a marketable parcel – fully paid shares: 1,031.

Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 24 August 2023

Shareholder	Number	%
Golden Words Pty Limited and Mr Trevor Kennedy & Mrs Christina Kennedy & Mr Daniel Kennedy <Golden Eggs Super Fund A/C>	23,058,726	7.669%
Balander Pty Limited <Super Fund A/C> & Balander Pty Limited <Flower Trust A/C>	17,966,667	5.976%

Voting Rights

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

ADDITIONAL SHAREHOLDER INFORMATION (CONTINUED)

Twenty Largest Shareholders

The names of the twenty largest shareholders as at 24 August 2023 are as follows:

	Name	Number of Ordinary Shares Held	% Held of Class of Equities
1.	Balander Pty Limited <Super Fund A/C>	14,541,667	4.837%
2.	Golden Words Pty Limited	12,417,703	4.130%
3.	Mr Robert Gregory Looby <Family Account>	11,800,000	3.925%
4.	Blazzed Pty Ltd <Gaunt Management A/C>	11,213,554	3.730%
5.	Mr Trevor Kennedy & Mrs Christina Kennedy & Mr Daniel Kennedy <Golden Eggs Super Fund A/C>	10,641,023	3.539%
6.	Kumiko Pty Ltd	8,000,000	2.661%
7.	Mr Viet Quoc Ho	7,500,000	2.495%
8.	Edwards Meadows Pty Limited <Moore Investment A/C>	7,423,000	2.469%
9.	Timbina Pty Limited	6,539,614	2.175%
10.	Matisse Investments Pty Ltd	5,568,693	1.852%
11.	United & Pacific Shirt Co Pty Ltd <The Elizabeth No 2 A/C>	5,297,874	1.762%
12.	Mr Graham James Large & Mrs Adele Leith Large <Graham J Large Superfund A/C>	5,250,000	1.746%
13.	Jellyfish Superannuation Investments Pty Ltd <Medusa Superfund A/C>	5,025,000	1.671%
14.	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail client DRP>	4,695,092	1.562%
15.	Mrs Evadne Janeke	4,667,485	1.552%
16.	Mr Callum Benedict McIntosh	4,394,907	1.462%
17.	Mr Robert Kenneth Gaunt	4,259,260	1.417%
18.	Frasama Pty Ltd <JDP Super Fund A/C>	4,000,000	1.330%
19.	BlackRock Custodians Pty Ltd <The Findlay Super Fund A/C>	4,000,000	1.330%
20.	Mr Gabriel Berra	3,970,000	1.320%
		141,204,872	46.965%

CORPORATE DIRECTORY

Registered Office and Principal Place of Business

Suite 4, Level 10
56 Pitt Street
Sydney NSW 2000
Telephone: (02) 9251 3311
Facsimile: (02) 9251 6550

Directors

Samuel Gazal
Ken Gaunt
Ellie Dawkins

Company Secretary

Terence Flitcroft

Auditors

Stirling International

Share Registry

Boardroom Pty Limited
Sydney NSW 2000
(GPO Box 3993, Sydney NSW 2001)
Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664
www.boardroomlimited.com.au

Stock Exchange Listing

National Stock Exchange of Australia
NSX Code: KTE

Banker

Westpac Banking Corporation

Company Website

www.k2energy.com.au