

12 July 2021

## K2 Energy Ltd

### Trading at a significant discount to core investment

K2 Energy (NSX:KTE) listed on the NSX on June 29 with a market capitalisation of \$5.7m. The company was previously listed on the ASX from 2004 until early 2021 operating as a US oil and gas explorer. In 2010, K2 Energy provided critical funding to Atomera Inc (NASDAQ:ATOM) in its research and development phase as it developed patentable technology for the silicon chip industry, with energy saving and performance attributes. This funding converted into shares when Atomera listed on NASDAQ in August 2016. K2 delisted from the ASX in early 2021, after the ASX advised it was unable to change its classification to an investment company. The company's main focus now is its investment in Atomera, in which it holds 523,846 shares or 2.3% of the company. As at 7 July, this holding had a market value of US\$11.05m (A\$14.75m), compared to the company's current market capitalisation of A\$5.7m. K2 Energy also owns the exclusive worldwide rights to MEARS Silicon Technology (MST™) for all solar energy applications which it has secured from Atomera. K2 Energy is seeking a solar group to joint venture or collaborate with, in order to commercialise this technology.

### Business model

K2 Energy is currently focused on its investment in NASDAQ-listed tech stock, Atomera Inc, and has the exclusive right to commercialise technology developed by Atomera for solar technology applications. Atomera's MST™ is a patented, quantum-engineered material that enhances transistors to deliver significantly better performance, allowing semiconductor manufacturers squeeze up to a full node of power and performance improvement within the same geometry. K2 Energy held net cash at March 31 of \$0.57m and has no ready source of operating cashflow bar selling shares in Atomera.

### Recent News

Given K2 Energy's fortunes are inherently intertwined with Atomera's, news flow from the US tech company will likely drive KTE's share price in the near term. In January 2021, Atomera announced that it had entered into a Joint Development Agreement (JDA) with a leading semi-conductor provider to integrate Atomera's Mears Silicon Technology into the silicon fabrication process. Atomera subsequently announced in March that it had advanced its JDA customer to the fourth phase of its six-phase customer engagement process with Atomera delivering its MST IP transfer package in accordance with the contract. Atomera also noted that it currently has 25 engagements in its customer pipeline with nine in phase one, 15 in phase three and one in phase 4. The sixth phase culminates in the commercialisation of MST-enabled wafers.

#### Pro-forma earnings history AUD

Year end	NTA (\$M)	EBITDA (\$M)	NPAT (\$M)	EPS (c)	OCF (\$M)	NTA/Share (c)	P/E (x)
Jun 2018	4.43	(0.27)	(0.27)	(0.10)	(0.03)	0.017	n.a.
Jun 2019	3.74	(0.05)	(0.05)	(0.02)	(0.08)	0.012	n.a.
Jun 2020	6.96	0.17	0.17	0.06	0.60	0.023	31.7
<b>Half Year</b>							
Dec 2019	6.96	(0.03)	(0.03)	(0.01)	(0.04)	0.023	n.a.
Dec 2020	11.05	(0.04)	2.19	0.73	(0.47)	0.037	n.a.

Source: Company data, RaaS analysis

#### Shares Summary

Share Code	KTE
Share price	\$0.019
Market Capitalisation	\$5.7M
Number of Shares	300.7M
Est. Net Cash at 31 March	\$0.57M
Share Registry	Boardroom Ltd

#### RaaS 5-Point Score\* = 5/5

NTA increasing (1); EPS increasing (1), Return on Capital Employed [ROCE] (1); EBIT interest cover >3x (1) Gross Operating cash flow/EBITDA >90%(1)

#### Upside Case

- Offering exposure to the renewable energy market
- Opportunity to develop the MEARS Solar Technology
- Significant delta between value of its investment in Atomera and current market capitalisation

#### Downside Case

- Until its diversifies its investments, the company's performance is exposed to Atomera's share price fluctuations
- MST™ technology is still unproven and dependent on further research and development
- No ready source of operating cashflow

#### Board of Directors and Management

Non-Executive Chairman	Mr Samuel Gazal
Non-Executive Director	Mr Ken Gaunt
Non-Executive Director	Ms Ellie Dawkins
CFO/CoSec	Mr Terence Flitcroft

#### Catalysts

- Signs a major international solar group to commercialise the MST™ Solar Technology
- Atomera's share price performance

#### Comparable Companies

BluGlass (ASX:BLG), Pivotal Systems Corp (ASX:PVS)

#### RaaS Advisory contacts

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\* The RaaS 5-Point score is based on the company's performance in its last reported full year. Past performance is not a reflection of future performance.

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# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**  
**ABN 99 614 783 363**  
**Corporate Authorised Representative, number 1248415**

of

**BR SECURITIES AUSTRALIA PTY LTD**  
**ABN 92 168 734 530**  
**AFSL 456663**

**Effective Date: 6<sup>th</sup> May 2021**



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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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