PROTEAN ENERGY LIMITED

ABN 81 119 267 391

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2017

CORPORATE DIRECTORY

Directors

Bevan Tarratt	*Non-Executive Chairman*
Wayne Loxton	*Non-Executive Director*
David Wheeler	*Non-Executive Director*
Young Yu	*Non-Executive Director*

Company Secretary
Mathew Foy

Registered and Principal Office
Unit 5, Ground Floor, 1 Centro Avenue
SUBIACO WA 6008

Telephone: +61 8 9481 2277
Facsimile: +61 8 9481 2355
Email: info@proteanwaveenergy.com.au
Web: www.proteanwaveenergy.com

Share Registry
Link Market Services Limited
Central Park, Level 4, 152 St Georges Terrace
Perth WA 6000
Telephone: 1300 554 474

Stock Exchange Listing
Australian Securities Exchange
ASX Code - **POW**

Bankers
National Australia Bank Limited
50 St Georges Terrace
Perth WA 6000

Auditor
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

CONTENTS

DIRECTORS' REPORT

Your Directors present their financial report for the consolidated entity consisting of Protean Energy Limited (**Protean or Company**) and the entities it controls (**Consolidated Entity** or **Group**) at the end of, or during, the half-year ended 31 December 2017.

DIRECTORS

The names of Directors who held office during the half-year and up to the date of signing this report, unless otherwise stated are:

Bevan Tarratt	Non-Executive Chairman
Wayne Loxton	Non-Executive Director (appointed 6 November 2017)
David Wheeler	Non-Executive Director
Young Yu	Non-Executive Director
Stephen Rogers	Managing Director (resigned 11 August 2017 (effective 10 November 2017))

PRINCIPAL ACTIVITIES

The activities of the Group and its subsidiaries during the half-year ending 31 December 2017 was mineral exploration in South Korea and commercialisation activities associated with renewal energy projects in South Korea and Australia.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the half-year ended 31 December 2017 (31 December 2016: Nil).

FINANCIAL SUMMARY

The Group made a net loss after tax of $1,023,981 for the financial half-year ended 31 December 2017 (31 December 2016: loss $2,426,351). At 31 December 2017, the Group had net assets of $5,740,734 (30 June 2017: $2,915,748) and cash assets of $2,049,222 (30 June 2017: $167,216).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in the state of affairs of the Consolidated Entity during the financial period and to the date of this report are set out in the review of operations below.

REVIEW OF OPERATIONS

During the period, the Company advised that following an ongoing review of the Company's project portfolio, an opportunity to significantly advance the current 17.3 Mlb vanadium resource already identified at the Company's 50% owned Daejon Vanadium Project in South Korea. The Company advised it was refining plans to analyse historical drill core to advance its understanding of the vanadium mineralisation at the Daejon Project.

On 20 October 2017, Protean advised it had finalised a detailed work program to advance the Daejon Vanadium Project. In conjunction with Optiro Pty Ltd, the work program will initially focus on core from the Company's 2013 drilling campaign followed by a review of 36,000m of historical drill core located at the Korean Institute of Geoscience and Minerals (**KIGAM**) with the aim of substantially upgrading the current vanadium resource.

Through its interest in Stonehenge Korea Limited (**SHK**) Protean owns 50% of the rights to the Daejeon Vanadium Project which contains a vanadium Mineral Resource of 17.3 Mlbs V_2O_5 @ 3,186 ppm. The Daejon Vanadium Project carries a substantial vanadium Exploration Target of 385-695 Mlbs V_2O_5 @ 2,500-3500 ppm[1].

[1] The potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the definition of a Mineral Resource These estimates were prepared and first disclosed under the JORC Code (2004). They have not been updated since to comply with the JORC Code 2012 on the basis that they have not materially changed since release.

Daejon Project Background

The Company previously explored the project area for both uranium and vanadium with this work culminating in the definition of both uranium and vanadium Mineral Resources.

In 2012 and 2013 the Company undertook a significant body of work to understand the metallurgy and processing options for the deposit. The encouraging results were outlined in a presentation to the Australian Uranium and Rare Earths Conference released to the ASX on 16/07/2013.

The first phase of the work program will commence with the analysis of drill core from the 5-hole diamond drilling campaign completed by the Company in 2013. The work program will be conducted in stages and is expected to take approximately 6 months including, subject to formal approval by KIGAM, analysis of the relevant sections of the 36,000m of drill core held by KIGAM (see photos below).

KIGAM Core Storage Facility

KIGAM Core Storage Facility

On 9 November 2017, the Company advised it had commenced the first phase of work targeting a vanadium resource upgrade at its 50% owned Daejon Project in South Korea.

The Company also advised it had engaged GeoGeny Consultants Group Inc. (**Geogeny**) to provide in-country services for the resource definition program. GeoGeny is a leading geological consultancy based in South Korea having been designated as a partner organisation by KIGAM and a registered member of AusIMM (Australasian Institute of mining and metallurgy) with JORC CP authority.

An initial drill core orientation study will be completed with the help of Optiro Pty Ltd in conjunction with GeoGeny to validate the methodology of generating a Vanadium resource through non-destructive testing of 36,000m of historical drill core located at the KIGAM.

This orientation study will involve a field trip to Korea so that core from the Company's 2013 drilling campaign can be sampled via pXRF assay and compared to conventional wet assay data from those holes. The objective being to establish a correlation between the two assay methods prior to analysing the core held by KIGAM.

The Company, Optiro and GeoGeny will work closely together over the coming months to ensure the successful implementation of the proposed non-destructive testing program.

Approval Granted to Conduct pXRF Assaying on KIGAM Core

Subsequent to the period on 8 January 2018 the Company advised that SHK had been granted formal access by KIGAM to non-destructively test (assay) mineralised sections of 36,000m of historical drill core from the Daejon project area.

The pXRF assay work on core held by KIGAM will be the next major step in the Company's programme to significantly upgrade the existing vanadium resources at the Daejon project.

The core assay orientation study fieldwork on the Company's 2013 drilling has now been completed and a final report on the results is expected to be received imminently. The Company is optimistic that a positive correlation between the new pXRF assays and 2013 wet assays can be established, thus proving the efficacy of utilising pXRF to conduct an upgraded Vanadium resource estimate based on the KIGAM core.

Corporate

Completion of Underwritten Rights Issue

On 25 July 2017, the Company advised that its fully underwritten renounceable rights issue closed on 26 June 2017 had completed with the shortfall shares being placed with the underwriter, CPS Capital Group Pty Ltd (**CPS Capital**). The offer was fully underwritten by CPS Capital and total funds raised under the offer were $3,148,794 before costs.

Board Appointments and Resignations

On 11 August 2017, the Company advised that Mr Stephen Rogers had provided notice of his resignation. Following Mr Rogers' resignation, the Board advised it would conduct a comprehensive review of its existing suite of assets, including the Protean WEC intellectual property, Vanadium Redox Flow Battery technology, vanadium exploration assets in Korea and retail licence exemption for solar energy contract in Australia.

On 6 November 2017, the Company announced the appointment of Mr Wayne Loxton as Non-Executive Director of the Company. Mr Loxton is a Mining engineer with experience spanning 30 years including formulating project development strategies, completing feasibility studies, conducting due diligence, executing capital raisings, mergers, acquisitions, asset divestments and introduction of best practices.

Loss of control of KORID Energy

The Group have effectively exited its control position in KORID Energy Co. Ltd (**KORID Energy**) as a result of an intention to divest its equity position through dilution as well as convertible loans entered into by the KORID Energy during the period. The subsidiary was deconsolidated from the Group as at 31 December 2017.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Placement to Accelerate Vanadium Resource Update

Subsequent to the period on 2 February 2018 the Company advised it had completed a placement to raise $1 million (before costs) through a placement of 40,000,000 shares at an issue price of 2.5¢ per share (**Placement**). The Placement was managed by CPS Capital Group Pty Ltd and was heavily supported by new and existing shareholders.

The proceeds of the Placement will be used to accelerate activities relating to the vanadium resource update program at the Daejon Vanadium Project, South Korea, where the Company is currently planning to undertake p-XRF assay testing of historical core held by the KIGAM to delineate an updated vanadium and uranium resource.

Release of Escrowed Securities

On 14 February 2018 the Company advised that the following securities are to be released from escrow on 28 February 2018:

- 342,143 ordinary fully paid shares;
- 428,143 Options exercisable at $1.125 on or before 31/12/2018;
- 133,332 Options exercisable at $1,125 on or before 30/11/2018;
- 266,665 Options exercisable at $1.50 on or before 30/11/2018;
- 400,000 Options exercisable at $1.875 on or before 30/11/2018;
- 533,332 Options exercisable at $2.25 on or before 30/11/2018;
- 33,333 Options exercisable at $2.43 on or before 30/11/2018;
- 611,727 Performance Shares; and
- 1,266,000 Performance Rights.

In the opinion of the Directors, no other event of a material nature or transaction, has arisen since period end and the date of this report that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or its state of affairs.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on the following page for the half-year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors.

Bevan Tarratt
Non-Executive Chairman

Perth, Western Australia

28 February 2018

COMPETENT PERSON'S STATEMENT

The information contained in this ASX release relating to exploration results, exploration targets and Mineral Resources has been compiled by Mr Ian Glacken of Optiro Ltd. Mr Glacken is a Fellow of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 editions of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Glacken consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF PROTEAN ENERGY LIMITED

As lead auditor for the review of Protean Energy Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Protean Energy Limited and the entities it controlled during the period.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 $	31 December 2016 $
Revenue from continuing operations			
Interest income		16,912	1,557
Research and development grant	1	-	713,827
Expenses			
Research and development expense	1	(24,977)	(569,949)
Assaying expense		(52,578)	-
Depreciation and amortisation expense		(2,240)	(376,154)
Administrative expense		(612,720)	(962,872)
Finance costs		(52,369)	(599)
Share based payment expense	13	(5,254)	(149,375)
Impairment of available for sale asset		-	(1,034,728)
Loss on deconsolidation of subsidiary	5	(202,479)	-
Share of net loss of joint venture accounted using the equity method	4	(88,276)	(48,057)
Loss before income tax		(1,023,981)	(2,426,351)
Income tax benefit		-	-
Loss after income tax		(1,023,981)	(2,426,351)
Loss after income tax attributable to:			
Members of the Company		(1,023,981)	(2,426,351)
Non-controlling interest		-	-
		(1,023,981)	(2,426,351)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders			
Basic and diluted loss per share (cents per share)		(0.45)	(0.21)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 $	31 December 2016 $
Other comprehensive income			
Items that may be reclassified to the profit or loss			
Exchange differences on translation of foreign operations		63,958	(27,570)
Reclassified exchange difference on deconsolidation of subsidiary		(1,810)	-
Reclassified changes in the fair value of available for sale assets as impairment loss	7	-	53,769
Other comprehensive income/(loss) for the period, net of tax		62,148	26,199
Total comprehensive loss for the period		(961,833)	(2,400,152)
Total comprehensive loss for the period attributable to:			
Members of the Company		(961,833)	(2,400,152)
Non-controlling interest		-	-
		(961,833)	(2,400,152)

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	31 December 2017 $	30 June 2017 $
Current assets			
Cash and cash equivalents	3	2,049,222	167,216
Trade and other receivables		37,638	41,695
Total current assets		2,086,860	208,911
Non-current assets			
Plant and equipment	6	56,301	669,102
Trade and other receivables		3,096	42,032
Intangibles – Battery Technology		-	33,823
Interest in joint venture – Stonehenge Korea	4	2,718,469	2,607,351
Interest in associate – KORID Energy	5	39,479	-
Available for sale financial assets	7	976,892	928,828
Total non-current assets		3,794,237	4,281,136
Total assets		**5,881,097**	**4,490,047**
Current liabilities			
Trade and other payables	8	140,363	534,509
Provisions		-	21,644
Borrowings	9	-	1,018,146
Total current liabilities		140,363	1,574,299
Total liabilities		**140,363**	**1,574,299**
Net assets		**5,740,734**	**2,915,748**
Equity			
Issued capital	11	33,836,595	29,807,643
Reserves		6,848,610	6,781,207
Accumulated losses		(34,944,594)	(33,920,613)
Capital and reserves attributable to owners		5,740,611	2,668,237
Non-controlling interest		123	247,511
Total equity		**5,740,734**	**2,915,748**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Issued Capital $	Reserves $	Accumulated Losses $	Non-controlling interest $	Total Equity $
As at 1 July 2016		28,975,566	6,652,693	(26,812,882)	123	8,815,500
Loss for the half-year		-	-	(2,426,351)	-	(2,426,351)
Other comprehensive loss		-	26,199	-	-	26,199
Total comprehensive loss for the half-year		-	26,199	(2,426,351)	-	(2,400,152)
Transactions with owners in their capacity as owners						
Shares issued during the period		463,084	-	-	-	463,084
Share issue expenses		(16,525)	-	-	-	(16,525)
Performance rights/Options expense recognised during the half-year		-	149,375	-	-	149,375
As at 31 December 2016		**29,422,125**	**6,828,267**	**(29,239,233)**	**123**	**7,011,281**
As at 1 July 2017		29,807,643	6,781,207	(33,920,613)	247,511	2,915,748
Loss for the half-year		-	-	(1,023,981)	-	(1,023,981)
Other comprehensive income		-	63,958	-	-	63,958
Total comprehensive income/loss for the half-year		-	63,958	(1,023,981)	-	(960,023)
Transactions with owners in their capacity as owners						
Shares issued during the period	11	4,217,880	-	-	-	4,217,880
Share issue expenses	11	(188,928)	-	-	-	(188,928)
Deconsolidation of subsidiary		-	(1,810)	-	(247,388)	(249,198)
Performance rights expense recognised during the half-year	13	-	5,254	-	-	5,254
As at 31 December 2017		33,836,595	6,848,609	(34,944,594)	123	5,740,734

This above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 $	31 December 2016 $
Cash flows from operation activities			
Payments in the normal course of business		(852,168)	(1,037,141)
Interest received		16,912	1,557
Finance costs		(445)	(8,660)
Net cash outflow from deconsolidated subsidiary		(172,659)	-
Net cash used in operating activities		(1,008,360)	(1,044,244)
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment		(55,000)	(346)
Investment in joint venture	4	(183,500)	(108,000)
Net cash used in investing activities		(238,500)	(108,346)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Proceeds from issue of shares	11	3,148,795	200,000
Share issue costs	11	(188,928)	(16,525)
Net cash inflow from deconsolidated subsidiary		269,464	-
Net cash inflow from financing activities		3,229,331	183,475
Net (decrease)/increase in cash and cash equivalents		1,982,471	(969,155)
Cash and cash equivalents at the beginning of the period		167,216	1,239,384
Net cash outflow from deconsolidation of subsidiary		(100,465)	-
Net cash and cash equivalents at the period	3	2,049,222	270,269

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. EXPENSES

	31 December 2017 $	31 December 2016 $
Loss before income tax includes the following specific items:		
Research and development:		
Research and development costs [1]	24,977	569,949
Research and development tax rebate [2]	-	(713,827)
Total research and development expense/(other income)	24,977	(143,877)

1 *Expenditure incurred for research and development activities in relation to Protean ™ wave energy convertor technology*
2 *Research and Development tax rebate relating to expenditure on research and development activities in relation to Protean ™ wave energy convertor technology incurred in the prior financial year.*

2. SEGMENT INFORMATION

Management has determined that the Group has five reportable segments, being an interest in Joint Venture, interest in Associate, activity to explore for minerals in South Korea, exploration costs, investment in battery technology and an investment in wave energy technology. This determination is based on the internal reports that are reviewed and used by the Board (chief operating decision maker) in assessing performance and determining the allocation of resources. The Board monitors the Group based on actual versus budgeted expenditure incurred by segment. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing activities, while also taking into consideration the results that has been performed to date.

	Wave energy technology $	Investment in joint venture $	Investment in associate $	Exploration $	Battery technology $	Corporate activities $	Total $
For the half-year ended - 31 December 2017							
Revenue from external sources	-	-	-	-	-	16,912	16,912
Reportable segment loss	(17,254)	(88,276)	-	(52,578)	(202,479)	(663,394)	(1,023,981)
Reportable segment assets [1]	-	2,718,469	39,479	-	-	3,123,151	5,881,097
Reportable segment liabilities	(254)	-	-	(8,430)	-	(131,679)	(140,363)

2. SEGMENT INFORMATION (continued)

	Wave energy technology	Investment in joint venture	Investment in associate	Exploration	Battery technology	Corporate activities	Total
	$	$	$	$	$	$	$
For the half-year ended - 31 December 2016							
Revenue from external sources	-	-	-	-	-	1,557	1,557
Reportable segment profit/ (loss)	143,877	(48,057)	-	-	-	(2,522,172)	(2,426,351)
For the year ended - 30 June 2017							
Reportable segment assets [2]	-	2,607,351	-	-	752,068	1,130,628	4,490,047
Reportable segment liabilities	(6,482)	-	-	-	(260,913)	(1,306,904)	(1,574,299)

1 *Other corporate activities includes cash held of $2,049,222*
2 *Other corporate activities includes cash held of $163,546*

3. CASH AND CASH EQUIVALENTS

	31 December 2017 $	30 June 2017 $
Cash at bank	2,049,222	167,216

4. INTEREST IN JOINT VENTURE

During the 30 June 2016 financial year, Protean completed a formal joint venture with DST Co. Ltd (formerly Korea Resources Investment & Development Inc.) (**DST**). The JV was created via the sale to DST of 50% of Stonehenge Korea Inc, resulting in a loss of control of the subsidiary for the Group.

	31 December 2017 $	30 June 2017 $
Opening balance	2,607,351	2,542,852
Additional investment at cost [1]	183,500	176,000
Share of net loss of joint venture accounted using the equity method	(88,276)	(101,925)
Foreign exchange gain/(loss) recognised in other comprehensive income	15,894	(9,576)
Closing balance	2,718,469	2,607,351

1 *The Group is committed to its contractual obligations in respect of the JV and will continue developing the Korean projects. The JV Agreement with DST requires the Company to fully fund Stage 1 of the JV. The JV Agreement with DST requires the Company to spend up to $800,000 during Stage 1 of the JV. The Company estimates the actual cost of Stage 1 will be no more than $600,000. Funding is provided by way of a loan to Stonehenge Korea Inc to accelerate the development of the Daejon vanadium and uranium project by conducting work to contribute to the preparation of a pre-feasibility study*

5. INTEREST IN ASSOCIATE

On 7 March 2017, the Group acquired the assets held by KORID Energy Co. Ltd. (KORID Energy), through the purchase of a 50% controlling interest. KORID Energy was established in late 2016 to facilitate the development and growth of vanadium redox flow batteries. In consideration for 50% equity in KORID Energy, Protean issued 189,000,000 ordinary shares in the company. The fair value of the shares issued on 7 March 2017 was $366,018, which was by reference to the fair value of the net assets acquired.

The Group have effectively exited its control position in KORID Energy brought about by its intention to divest its equity position through dilution as well as convertible loans entered into by the KORID Energy during the period. The subsidiary was deconsolidated from the Group as at 31 December 2017 and a loss on deconsolidation of $202,479 was recognised in the Statement of Profit or Loss.

Loss on deconsolidation of subsidiary	
Loss for the period until 31 December 2017	412,198
Non-controlling interest	(268,129)
Loss on investment	58,410
Total loss on deconsolidation of subsidiary	202,479

Significant accounting judgments

Control assessment

The directors have determined that they have lost control of KORID Energy on 31 December 2017. As a result, the Company has been unable to access all of the financial information of KORID Energy for the period 1 July 2017 to 31 December 2017. This includes the financial records pertaining to liabilities and convertible notes issued.

The resulting investment in associate as follows:

	31 December 2017 $	30 June 2017 $
Opening balance	-	-
Investment in Associate	39,479	-
Closing balance	39,479	-

6. PLANT AND EQUIPMENT

	Machinery $	Tools & Equipment $	Fixtures $	Office Equipment $	Mining Equipment $	Total $
Period ended 31 December 2017						
Opening net book value	663,037	644	1,879	187	3,355	669,102
Exchange differences	47,476	52	126	-	-	47,654
Additions	-	-	-	-	55,000	55,000
Disposals	-	-	-	-	-	-
Depreciation charge [1]	(214,459)	(331)	(1,244)	(88)	(2,153)	(218,275)
Deconsolidation of subsidiary	(496,054)	(365)	(956)	-	-	(497,375)
Closing net book amount	**-**	**-**	**-**	**99**	**56,202**	**56,301**

1 *The depreciation charge on deconsolidation has been recorded as part of loss on deconsolidation of subsidiary within the Statement of Profit or Loss*

The carrying values of items of plant and equipment are reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances.

7. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSET

Available-for-sale financial assets comprise of listed equity securities in KOSDAQ listed DST Co. Ltd (**DST**).

	31 December 2017 $	30 June 2017 $
Opening balance	928,828	2,340,377
Foreign exchange gain/(loss) recognised	48,064	(19,499)
Impairment loss recognised	-	(1,392,050)
Closing balance	976,892	928,828

Impairment indicators for available-for-sale financial assets

A security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. On the 9 November 2016 DST entered a trading halt as a result of having an operating loss for a period of 4 consecutive years. The trading halt will be in place until April/May 2018. On the 9 November 2016 the trading price of the DST shares was ₩503 per share, which represented a significant decline from the acquisition price of ₩858 per share. As a result of decline in price and the current trading halt management have impaired the available for sale asset as at 31 December 2016. No impairment was recognised for the half year ended 31 December 2017.

8. TRADE AND OTHER PAYABLES

	31 December 2017 $	30 June 2017 $
Trade payables	140,363	534,509
	140,363	534,509

Trade and other payables are normally settled within 30 days from receipt of invoice. All amounts recognised as trade and other payables, but not yet invoiced, are expected to settle within 12 months.

The carrying value of trade and other payables are assumed to be the same as their fair value, due to their short term nature.

9. BORROWINGS

	31 December 2017 $	30 June 2017 $
Convertible notes	-	897,162
Other borrowings	-	120,984
Closing balance	-	1,018,146

Convertible notes – Issued March 2017

On 3 March 2017, the Group issued short term convertible loan facilities for $650,000, with a small number of sophisticated investors to provide working capital during the company's right issue.

The convertible loans were a fixed in Australian-dollar and are carried at fair value through profit or loss.

The parent entity issued 650,000 convertible notes, at an interest rate of 8.00% with a fair value of $1 per convertible note. The notes convert into ordinary shares of the Company, at the option of the Company on completion of a rights issue. The notes convert at the conversion price, being $0.014, a 30% discount to the right issue price of $0.02. Costs associated with the convertible notes were recognised as transaction costs to the loan account and amortised over the life of the convertible notes.

On 25 July 2017, the Company issued 47,893,921 shares at $0.014 to the holders of convertible loans in satisfaction of the outstanding convertible loan amounts which have now been extinguished.

A reconciliation of the convertible notes are as follows:

	Note	31 December 2017 $	30 June 2017 $
Face value of the notes issued		650,000	650,000
Fair value adjustment – issue of share capital [(1)]		278,571	230,571
Interest payable		20,515	16,953
Facility fee payable		-	39,060
Repayment of loans and interest – issue of share capital	11	(949,086)	-
Facility fee paid		-	(39,060)
		-	897,524

1 The fair value adjustment represents the discount to the right issue price recognised over the life of the loans

9. BORROWINGS (continued)

Certain convertible notes issued by the Group, which include embedded derivatives (option to convert to a variable number of shares in the Group), are recognised as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the convertible note will equate to the proceeds received and subsequently the liability is measured at fair value at each reporting period until settlement. The fair value movements are recognised in the profit or loss as finance costs.

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the group in determining the fair values of the financial instruments since the last annual financial report.

Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table. The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2017 and 30 June 2017 on a recurring basis:

	Level 1 $	Level 2 $	Level 3 $	Total $
As at 31 December 2017				
Available for sale financial assets – Equity securities	-	976,892	-	976,892
Convertible notes	-	-	-	-
As at 30 June 2017				
Available for sale financial assets – Equity securities	-	928,828	-	928,828
Convertible notes	897,524	-	-	897,524

There were no transfers between levels during the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The fair value of financial assets and liabilities held by the Group must be estimated for recognition, measurement and/or disclosure purposes. The Group measures fair values by level, per the following fair value measurement hierarchy:

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 (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The groups policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques used to determine fair values

The Group did not have any financial instruments that are recognised in the financial statements where their carrying value differed from the fair value. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts of cash and short-term trade and other receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these payments.

Available for sale financial assets – equity securities

The equity holdings held in DST Co. Ltd is currently in a trading halt, which commenced in 9 November 2016 and is subject to the implementation of a restructuring plan over a eighteen-month period.

10. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

As a result of the trading halt and decline in the share price from acquisition date to trading halt date the assets have been impaired during the prior period, see Note 7. The assets have been impaired down to 350 KRW per share (pre consolidation) to reflect the value in the share purchase agreement entered into with a sophisticated Korean investor during the period for a portion of the equity holding.

As a result of the prolonged trading halt the fair value has been determined on a share purchase agreement with a sophisticated Korean investor to sell DST shares at a price of 350 KRW per share.

Convertible notes

The fair value of the convertible notes are determined based on the accretion of their carrying amount recognised at inception up to the value of the shares on conversion. The value of the notes are mainly impacted by changes in the share price of the entity.

11. ISSUED CAPITAL

	31 December 2017 Shares	30 June 2017 Shares	31 December 2017 $	30 June 2017 $
Fully paid	256,649,841	44,982,884	33,836,596	29,807,643

Movements in ordinary share capital during the current half-year financial period are as follows:

Details	Note	Date	Number of shares	Issue price $	$
Balance at 30 June 2017			**44,982,884**		**29,807,643**
Issue of shares		25-Jul-17	157,439,703	0.02	3,148,794
Issue of shares on conversion of convertible notes	9	25-Jul-17	47,893,921	0.02	949,086
Issue of shares on conversion of performance rights		25-Jul-17	333,333	-	-
Share based payment [1]		21-Aug-17	6,000,000	-	120,000
Less: Share issue costs			-		(188,928)
Balance at 31 December 2017			**256,649,841**		**33,836,596**

1 Share based payments have been made at fair value of services received for broker and compliance manager fees.

12. DIVIDENDS

No dividends have been declared or paid for the half-year ended 31 December 2017 (31 December 2016: nil).

13. SHARE BASED PAYMENTS

Share-based payment transactions are recognised at fair value in accordance with AASB 2.

The total movement arising from share-based payment transactions recognised during the half year were as follows:

	Note	31 December 2017 $	31 December 2016 $
As part of share based payment expense:			
Performance rights issued – prior period	13(a)	5,254	84,265
Performance rights issued – current period		-	65,110
		5,254	149,375
As part of Research and Development expense:			
Shares issued		-	182,084
As part of administrative expense:			
Shares issued	13(b)	120,000	81,000
		125,254	412,459

During the half-year the Group had the following share-based payments:

(a) Performance rights (prior period)

The Company's Performance Rights Plan was approved and adopted by shareholders on 11 November 2014. Each performance right will vest as an entitlement to one fully paid ordinary share upon achievement of certain performance milestones. If the performance milestones are not met, the performance rights will lapse and the eligible participant will have no entitlement to any shares. Further details of these performance rights were disclosed in the 30 June 2017 audited accounts of the Group.

Performance rights are not listed and carry no dividend or voting rights. Upon exercise each performance right is convertible into one fully paid ordinary share to rank pari passu in all respects with existing fully paid ordinary shares.

Movement in the performance rights for the current period is shown below:

Grant date	Expiry date	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at period end	Vested at period end
01-Apr-14	01-Apr-19	166,666	-	-	-	166,666	-
30-Nov-15	25-Mar-20	700,000	-	-	-	550,000	150,000
30-Nov-15	06-Apr-20	733,333	-	-	-	733,333	-
22-Feb-16	22-Feb-21	150,000	-	-	-	150,000	-
22-Feb-16	22-Feb-21	3,333	-	-	-	3,333	-
22-Feb-16	22-Feb-19	3,999,996	-	-	-	3,999,996	-
26-Jul-16	25-Jul-17	333,333	-	333,333	-	-	-
Total		6,086,661	-	333,333	-	5,603,328	150,000

Total expense arising from vesting and accelerating vesting of the above performance rights is $5,254.

(b) Share capital to vendors

On 21 August 2017, 3,000,000 shares were issued each to CPS Capital Group Pty Ltd and Advantage Management Pty Ltd in consideration for corporate and compliance manager fees. The fair value of the shares recognised was by direct reference to the fair value of service received. This was determined by the corresponding invoice received which amounted to $60,000 each. This amount has been recognised in the Statement of Profit or Loss under administrative expenses.

14. CONTINGENCIES

There have been no changes to contingent assets or liabilities since the last annual reporting date, 30 June 2017.

15. COMMITMENTS

There have been no changes to commitments since the last annual reporting date, 30 June 2017.

16. RELATED PARTY TRANSACTIONS

Transactions with related parties

On 11 August 2017, the Company advised it had accepted the resignation of Mr Rogers, following a twelve-month period of diligently progressing the Company's development and commercialisation efforts of the Protean Wave Energy Converter and acquiring a stake in an energy storage business which meets the demands of a growing renewable energy sector.

On the 6 November 2017, Mr Wayne Loxton commenced in the role of Non-Executive Director. Mr Loxton's remuneration is consistent with the non-executive remuneration structure disclosed in the 30 June 2017 annual report. Remuneration is $36,000 per annum inclusive of superannuation. There are no termination or retirement benefits paid to non-executive Directors (other than statutory superannuation).

17. EVENTS SUBSEQUENT TO END OF THE REPORTING PERIOD

Placement to Accelerate Vanadium Resource Update

Subsequent to the period, on 2 February 2018 the Company advised it had completed a placement to raise $1 million (before costs) through a placement of 40,000,000 shares at an issue price of 2.5¢ per share (**Placement**). The Placement was managed by CPS Capital Group Pty Ltd (CPS Capital) and was heavily supported by new and existing shareholders.

The proceeds of the Placement will be used to accelerate activities relating to the vanadium resource update program at the Daejon Vanadium Project, South Korea, where the Company is currently planning to undertake p-XRF assay testing of historical core held by the Korean Institute of Geoscience and Minerals (KIGAM) to delineate an updated vanadium and uranium resource.

Release of Escrowed Securities

On 14 February 2018 the Company advised that the following securities are to be released from escrow on 28 February 2018:

- 342,143 ordinary fully paid shares;
- 428,143 Options exercisable at $1.125 on or before 31/12/2018;
- 133,332 Options exercisable at $1,125 on or before 30/11/2018;
- 266,665 Options exercisable at $1.50 on or before 30/11/2018;
- 400,000 Options exercisable at $1.875 on or before 30/11/2018;
- 533,332 Options exercisable at $2.25 on or before 30/11/2018;
- 33,333 Options exercisable at $2.43 on or before 30/11/2018;
- 611,727 Performance Shares; and
- 1,266,000 Performance Rights.

In the opinion of the Directors, no other event of a material nature or transaction, has arisen since period end and the date of this report that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or its state of affairs.

18. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This consolidated interim financial report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide a full understanding of financial performance, financial position and financing and investing activities of the consolidated entity as full year financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Protean Energy Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New and amended standards adopted by the Group

There have been no new or amended standards became applicable for the current reporting period.

New standards and interpretations not yet adopted

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* (AASB 9) addresses the classification, measurement and derecognition of financial assets and financial liabilities.

When adopted, the standard will affect the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Group is expected to be impacted by the new standard.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

Adoption of AASB 9 is only mandatory for the year commencing 1 January 2017.

Changes to accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which may have an effect on the amounts recognised in the financial statements. The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Key estimates and assumptions may have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities. Key estimates and judgements are consistent with 30 June 2017 with the exception of the control assessment of KORID Energy detailed in Note 5.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements, and accompanying notes set out above, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date.

2. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Bevan Tarratt

Non-Executive Chairman

Perth, Western Australia

28 February 2018

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Protean Energy Limited

Report on the Half-Year Financial Report

Qualified Conclusion

We have reviewed the half-year financial report of Protean Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, with the exception of the matter described in the Basis for Qualified Conclusion section, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

Basis for Qualified Conclusion

Deconsolidation of KORID Energy Co. Ltd

As noted in Note 5 to the half-year financial report, on 31 December 2017 the Company was deemed to have lost control over its subsidiary KORID Energy Co. Ltd (KORID) which resulted in a loss on deconsolidation of $202,479 being included in the consolidated statement of profit or loss for the half-year ended 31 December 2017. As a result, the Company was unable to access all information relating to the books and records of KORID and therefore we were unable to obtain sufficient appropriate evidence about the carrying amount of the investment in KORID at the date of loss of control and the Company's share of KORID's loss for the period and the corresponding loss on deconsolidation.

Consequently, we were unable to determine whether adjustments, if any, are necessary between Company's share of KORID's loss before income tax and the loss on deconsolidation as disclosed in Note 5, and the classifications of operating, investing and financing activities in the consolidated statement of cash flows. Our conclusion has been modified accordingly.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

JPrue

Jarrad Prue

Director

Perth, 28 February 2018