



PROTEAN ENERGY LIMITED

ABN 81 119 267 391

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2018

CORPORATE DIRECTORY

Directors

Bevan Tarratt	<i>Executive Chairman</i>
Wayne Loxton	<i>Executive Director</i>
David Wheeler	<i>Non-Executive Director</i>
Young Yu	<i>Non-Executive Director</i>

Company Secretary

Matthew Foy

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**

Contact Information

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

Registered & Principal Office

Unit 5, Ground Floor, 1 Centro Avenue
Subiaco WA 6008

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

▪ Corporate Directory	1
▪ Directors' Report	2
▪ Auditor's Independence Declaration	22
▪ Consolidated Statement of Profit or Loss	23
▪ Consolidated Statement of Other Comprehensive Income	24
▪ Consolidated Statement of Financial Position	25
▪ Consolidated Statement of Changes in Equity	26
▪ Consolidated Statement of Cash Flows	27
▪ Notes to the Consolidated Financial Statements	28
▪ Directors' Declaration	67
▪ Independent Auditor's Report to the Members	68
▪ Additional Information	73

The Company presents its 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 year ended 30 June 2018.

REVIEW OF OPERATIONS

Daejon Vanadium/Uranium Project, Korea

During the year, the Company achieved significant milestones in advancing its world-class vanadium and uranium project in South Korea via its 50% holding in Stonehenge Korea Inc. (**Stonehenge**).

During the year the Company updated the combined Mineral Resource Estimate (JORC 2012) to 37.1 Mt @ 3,000ppm V_2O_5 (2,000ppm cut-off) and 120ppm U_3O_8 defined for a total of 248 Mlbs V_2O_5 and 10 Mlbs U_3O_8 . Daejon is one of three (including Miwon and Gwesang) projects that Stonehenge holds in South Korea.

Mineral Resource Estimation and technical work program

On 9 November 2017, the Company announced that it had commenced a vanadium work program. The initial drill core orientation study was 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 Korean Institute of Geoscience and Minerals (**KIGAM**). This orientation study involved a field trip to Korea during late November 2017 so that core from the Company's 2013 drilling campaign could 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.



Figure 1 Core orientation program being conducted on Protean's Chubu drill core

On 8 January 2018, the Company announced that it had been granted formal, non-destructive access to the 36,000m of drill core from the Daejon project area, hosted within KIGAM's core storage facility. Shortly after receiving access to the core the company announced the successful completion of the core orientation program. The correlation shown in the study proved the efficacy of utilising pXRF values as input to a vanadium resource estimate. The Company, in consultation with Optiro Consultants, became confident that a 2012 JORC Code compliant vanadium Mineral Resource will be achievable through a non-destructive assaying programme of core, from the Daejon project area, held by KIGAM. Validation of the assay methodology and approval from KIGAM were the final preconditions to commencing the test work program to assay KIGAM core.

On 25 January 2018, the Company announced that it had received firm commitments to raise \$1 million through a placement of 40,000,000 shares at an issue price of 2.5¢ per share. The proceeds of the placement were used to accelerate activities relating to the vanadium resource update program.

The core testing program at KIGAM was conducted in two separate stages, with stage 1 assaying focussing on 2,344 metres of mineralised core representing approximately 40% of the known 8.3km deposit strike length. Phase 1 commenced on 30 January 2018 and was completed on 11 May 2018 simultaneously with the commencement of Phase 2.

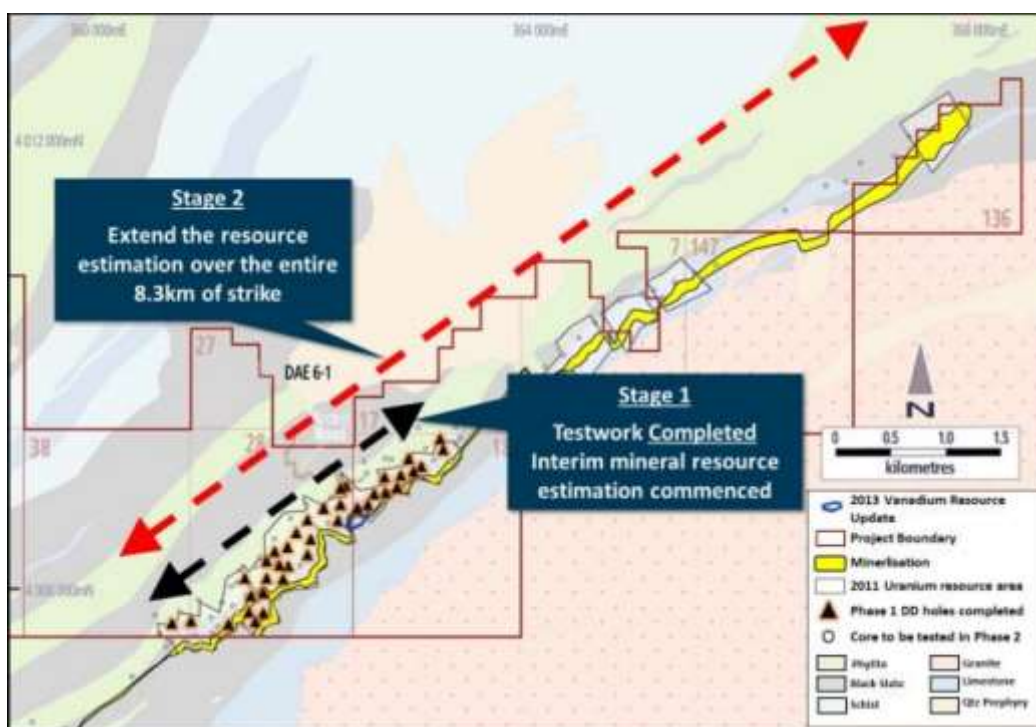


Figure 2 Daejon mineralised strike extension and scope of Phase 1 assaying program

Subsequent to the end of the year, the Company announced that an interim Mineral Resource Estimation had been completed based on the results of the Phase 1 assaying program. The interim resource was estimated across approximately 40% of the known Daejon mineralisation and represents a significant increase to the existing vanadium 2013 mineral resource.

Category	V ₂ O ₅ Resource with U ₃ O ₈ by-product					U ₃ O ₈ Resource		
	Tonnes (Mt)	V ₂ O ₅ Grade (%)	Contained V ₂ O ₅ (Mlbs)	U ₃ O ₈ Grade (ppm)	Contained U ₃ O ₈ (Mlbs)	Tonnes (Mt)	U ₃ O ₈ Grade (ppm)	Contained U ₃ O ₈ (Mlbs)
Indicated Resources	3.4	0.35%	27	150	1.1	0		
Inferred Resources	33.7	0.30%	221	120	8.9	12.4	240	6.6
Total	37.1	0.30%	248	120	10.0	12.4	240	6.6

Next steps:

- Completion of Phase 2 p-XRF assaying targeting the remaining 60% of the known mineralisation strike.
- Estimation of an updated Mineral Resource update over the entire Chubu shale horizon captured within the Groups tenements.
- Investigation of beneficiation pathways utilised in the processing of Chinese “stone coal”. This form of beneficiation has successfully been used to upgrade V₂O₅ grade within shale/sediment hosted deposits 4-5 times and on average achieve a 300% upgrade in existing vanadium producing deposits.
- Awaiting results of testwork targeting the production of high purity, VRFB electrolyte grade V₂O₅ of greater than 99.5%.

Metallurgical Test Work

During the year the Company completed the following metallurgical test work activities on the project:

- Preparation of a sample from the Daejon Vanadium Project for testwork targeting the production of high purity, VRFB electrolyte grade, V_2O_5 of greater than 99.5%.
- Commenced a metallurgical testwork program focussed on understanding and optimising vanadium recovery at its Daejon Vanadium Project.

The Daejon Vanadium Project is unique among vanadium deposits being sediment-hosted; only around 5% of global vanadium mineral occurrences are sediment hosted. Vanadium from the Daejon Project is targeted for producing high-purity vanadium pentoxide required for its vanadium V-KOR battery and alternate vanadium redox flow batteries. Importantly, the KIGAM engagement allows for fast tracked advancement of the Daejon Vanadium Project.

The Company has previously announced results from pressure oxidation leach tests achieving average vanadium extraction of around 70%, as well as average uranium extraction of >92% across a range of samples. The previous testing predominantly focussed on the extraction of uranium under mild leaching conditions. Subsequent investigations identified two process flow sheet options which could maximise vanadium extraction:

- a) Pressure oxidation leaching between the temperature range 120-180°C to extract uranium and vanadium simultaneously; and
- b) Pyrometallurgical treatment of mineralisation to remove carbon and solubilise vanadium minerals, followed by mild acid leaching to extract uranium and vanadium simultaneously.

The Company had previously stored a number of bulk samples with ALS Metallurgy in Western Australia and these samples were being utilised in the new metallurgical testwork programs. An initial review by MetChem Consultants during the year had indicated several different processes that may be utilised to maximise vanadium extraction. In addition to the vanadium extraction testwork, the Company had prepared during the year a sample of mineralisation from the Daejon Project area with the aim of producing vanadium pentoxide precipitate with purity levels acceptable for use in vanadium redox flow battery (VRFB) electrolyte production. In parallel with the above-mentioned Perth-based testwork, the Company has engaged with KIGAM and conducted a search of previous studies conducted on samples of Okcheon black shale mineralisation. The mineralisation samples tested were from the same immediate vicinity and geological setting as the Daejon Vanadium Project and analysis by Protean is likely to save significant time and exploration expense.

Competent Person Statement

The information contained in this ASX release relating to exploration results and Mineral Resources has been compiled by Mr Kahan Cervoj of Optiro Pty Ltd. Mr Cervoj is a Member 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 2012 editions of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Cervoj consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

V-KOR Vanadium Redox Flow Battery

During the year, the Company utilised a ~\$120,000 grant from a Korean government organisation, KETEP, to fund the installation of a 25kW/100kWh vanadium redox flow battery trial in O'Connor, Western Australia. The site for the battery installation is a warehouse facility owned by OzLinc Industries (OzLinc).

Demonstrating the V-KOR vanadium battery in a micro grid situation is the first phase of the Australian trial. The next phase of the trial will be to incorporate the integration of the solar system and the V-KOR battery with the Western Power electricity grid. The micro grid trial at OzLinc will demonstrate how the V-KOR battery operates as part of an off-grid solution in commercial/industrial premises.

About the OzLinc installation:

OzLinc is a supplier of pipe, fittings, flanges, valves and hosing to the Australian marine, industrial and resources sectors. The demonstration unit will be supplied by a grid connected 21.1KW rooftop solar PV system. The trial will facilitate collection of representative operating data for the battery, demonstrate charging operation using both grid and solar supply and it will demonstrate automatic system power stabilisation characteristics given a fluctuating solar supply. The proprietary V-KOR technology is 100% owned by KORID Energy Co. Ltd (**KORID**) and underpinned by 15 granted patents. KORID is jointly owned by Protean (50%) and KOSDAQ-listed DST Company Limited (50%).

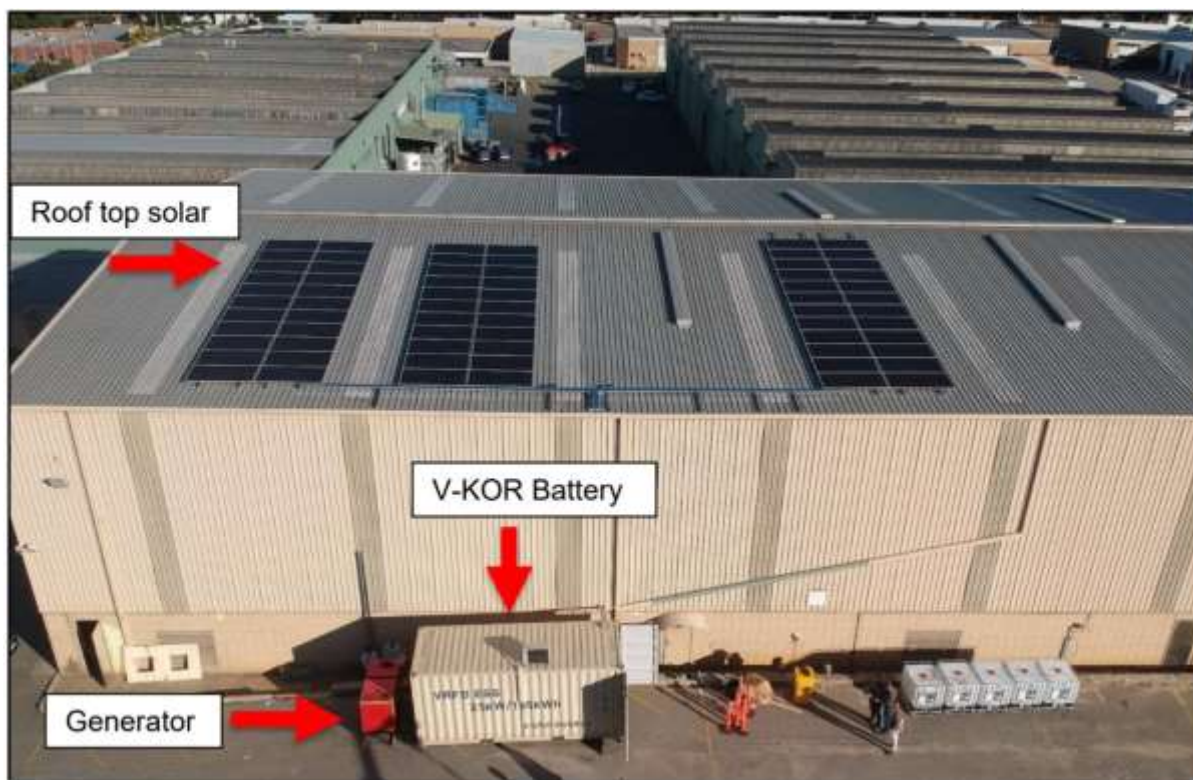


Figure 3 Trial site of the Company's first Australian installation

During the year the Company announced that a significant milestone had been achieved in the development of the V-KOR battery, having completed 3,000 cycles on the battery without any significant degradation of battery performance.

3,000 cycles represent in excess of 9 years of full daily cycles for a typical solar photovoltaic (PV) application. Additionally, over 1,000 cycles (3 years of full daily cycles) of testing has been completed on the 25kW stack. Both units have reported no significant degradation in performance. The completion of this successful testing is considered to be representative of "in use" battery performance and supports V-KOR's progression towards initial commercialisation via customer orders. Both V-KOR units have been independently tested by Korea Conformity Laboratories (KCL), a leading state-of-the-art national testing laboratory established over 40 years ago. The proprietary V-KOR technology is 100% owned by Protean's 50% owned subsidiary, KORID Energy (KORID). KORID is a battery developer and the V-KOR technology is underpinned by 15 granted patents. The V-KOR battery has been developed over the past five years with over US\$3 million dollars invested to date in research, development, testing and Intellectual Property (IP) protection.



Figure 4 20kW solar PV integrated with two 25kW V-KOR batteries and the electrical grid in the field test site at Seosan-si in Korea

Subsequent to the end of the year, the Company also announced the development of a new generation electrolyte for the V-KOR battery that improves energy density up to 25%, significantly improving electrolyte efficiency and cost performance. Traditionally, 30-50% of vanadium battery costs can be attributed to the cost of electrolyte, making vanadium raw material supply and electrolyte efficiency critical to commercial success. The latest electrolyte technology from KORID provides significant improvements in temperature stability and power density. In addition, Protean's vertical integration strategy aims to take advantage of the growing grid scale electrical storage market in Australia and globally.

KORID is also researching production of electrolyte using ammonia metavanadate (NH_4VO_3) which has the potential to markedly reduce the production cost of electrolyte.



Figure 5 Temperature stability testing being conducted at KORID Energy's Seoul, Korea facility

Protean™ Wave Technology

Subsequent to the end of the year on 27 August 2018 the Company advised it had signed a binding term sheet with PEARL Clean Energy Pty Ltd (**PEARL**) whereby PEARL will acquire the Wave Energy Converter technology assets (**WEC Assets**). PEARL will acquire 100% of the WEC Assets in consideration for spending a minimum \$700,000 within the first five years from the date of the agreement and paying a 1.5% royalty on all future revenue generated from the WEC Assets during the first ten years from signing the agreement.

Protean's decision to divest its interest in the WEC Assets is a result of the previously advised strategic review of assets undertaken by the Company. The decision is consistent with the Company's focus on developing its Daejon vanadium and uranium project in South Korea whilst concurrently working to commercialise the V-KOR vanadium redox flow battery technology.

CORPORATE

Board Changes

On 11 August 2017, the Company advised it had accepted the resignation of Mr Stephen 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 6 November 2017, the Company welcomed Mr Wayne Loxton to the Board as Non-Executive Director. Wayne 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.

In the resource sector, Mr Loxton has extensive and wide-ranging corporate and operational experience in gold, base metals and bulk commodities incorporating both underground and open-pit mining operations. Mr Loxton has been involved in numerous project evaluations within Australia and overseas including the completion of strategic and commercial due diligence studies, bankable feasibility studies, project construction and the negotiation of offtake agreements. Mr Loxton has been directly involved in Perilya Ltd, Allied Gold Ltd and Zapopan NL.

On 15 May 2018, Directors Mr Bevan Tarratt and Mr Wayne Loxton were appointed Executive Directors and Executive Chairman respectively from their previous roles of Non-Executive Director and Non-Executive Chairman respectively.

Convertible Note Raising and Non-Renounceable Rights Issue

On 28 February 2017, the Company signed a mandate agreement, whereby the Company launched a fully underwritten renounceable rights issue to raise up to \$3.1 million (before costs). In addition to the rights issue, the mandate sought to raise up to \$650,000 through a convertible note with a small number of existing shareholders (**Convertible Notes**).

On 17 May 2017, the Company announced a Non-Renounceable Rights Issue (**Offer**). The Offer was an offer to all shareholders of the Company on its register of members at 5.00pm (AWST) on the Record Date of 2 June 2017 who have a registered address in Australia and New Zealand, on the basis of seven (7) New Shares for every two (2) existing Shares held at an issue price of \$0.02 per new share.

The Offer closed on 26 June 2017 and raised \$673,333.52 with valid applications received for 33,666,676 new shares.

The Offer was fully underwritten by CPS Capital Group Pty Ltd and subsequent to the period on 25 July 2017, Protean announced that in accordance with the terms of the underwriting agreement, the shortfall of 123,773,027 shares was successfully placed by the underwriter. Total funds raised under the Offer were \$3,148,794.06 before costs.

Following completion of the Offer, the Company advised on 25 July 2017 that the Convertible Notes (and accrued interest) had converted into a total of 47,893,921 ordinary shares in the Company.

DIRECTORS

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

Bevan Tarratt	Executive Chairman
Wayne Loxton	Executive Director (appointed 6 November 2017)
Young Yu	Non-Executive Director
David Wheeler	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 year ended 30 June 2018 comprised advancing its world-class vanadium and uranium project in South Korea via its 50% holding in Stonehenge Korea Inc and the commercialisation of vanadium battery energy storage systems.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year (30 June 2017: Nil).

FINANCIAL SUMMARY

The Group made a net loss after tax of \$3,669,481 for the financial year ended 30 June 2018 (30 June 2017: loss \$7,107,731). At 30 June 2018, the Group had net assets of \$6,969,874 (30 June 2017: \$2,915,748) and cash assets of \$2,419,879 (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 above.

EVENTS SUBSEQUENT TO END OF THE REPORTING PERIOD

Subsequent to the end of the year on 4 July 2018 the Company announced that an interim Mineral Resource Estimation had been completed based on the results of the Phase 1 assaying program. The interim resource was estimated across approximately 40% of the known Daejon mineralisation and represents a significant increase to the existing vanadium 2013 mineral resource.

On 26 July 2018, the Company advised it has reached agreement with the KIGAM to undertake a joint project focused on maximising vanadium recoveries from Protean's Daejon Project mineralisation. In addition, Protean's 50% owned Korean subsidiary, Stonehenge Korea Limited (**SHK**) acquired the rights to the significant body of intellectual property held by KIGAM in relation to the pilot plant located at KIGAM. KIGAM and the Company have agreed to share all historical metallurgical and processing testing data in an effort to optimise the processing approach for recovery of vanadium and the production of a high purity V2O5 end product.

On 22 August 2018, the Company advised an update on its 25kW/100kWh V-KOR vanadium battery deployment at the OzLinc Industries site in O'Connor in Perth, Western Australia. The Company advised that local network operator (Western Power) had provided approval for the battery to be connected to the network. The deployment will be used to demonstrate the V-KOR vanadium battery capability to future customers, and to collect data to help refine product configurations for grid connected batteries.

In addition, on 27 August 2018 the Company advised it had signed a binding term sheet with PEARL Clean Energy Pty Ltd (**PEARL**) whereby PEARL will acquire the Wave Energy Converter technology assets (**WEC Assets**). PEARL will acquire 100% of the WEC Assets in consideration for spending a minimum \$700,000 within the first five years from the date of the agreement and paying a 1.5% royalty on all future revenue generated from the WEC Assets during the first ten years from signing the agreement.

On 13 August 2018, the Company announced the appointment of Mr Scott Davis to assist the acceleration of the Company's battery development and commercialisation program.

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.

INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

Mr Bevan Tarratt	Non-Executive Chairman (appointed 12 June 2007), appointed Executive Chairman from 15 May 2018
Qualifications	BA (Bus), SDIA
Experience	Mr Tarratt has an extensive background in the accounting industry primarily focused on small cap resource companies. This experience has allowed Mr Tarratt to develop an in-depth understanding of the resource sector within Western Australia and globally, allowing Mr Tarratt to systematically evaluate project and corporate opportunities. Mr Tarratt has extensive equity capital markets experience with Paterson's Securities Ltd.
Committee Memberships	Audit & Risk Committee
Equity Interests	755,172 ordinary shares and 9,211,476 options over ordinary shares with various exercise prices.
Directorships held in other listed entities	Mr Tarratt is currently a director of ASX listed Emergent Resources Ltd and Pura Vida Energy NL. No other listed directorships have been held by Mr Tarratt in the previous three years.
Mr Wayne Loxton	Non-Executive Director (appointed 6 November 2017) appointed Executive Director from 15 May 2018
Qualifications	BSc Eng, MAustIMM
Experience	Mr Loxton has 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. In the resource sector Mr Loxton has corporate and operational experience in gold, base metals and bulk commodities incorporating both underground and open-pit mining operations. Mr Loxton has been involved in numerous project evaluations within Australia and overseas including the completion of strategic and commercial due diligence studies, bankable feasibility studies, project construction and the negotiation of offtake agreements.
Equity Interests	7,000,495 ordinary shares and 9,750,000 options over ordinary shares with an exercise price of \$0.037.
Committee Memberships	None
Directorships held in other listed entities	In the last three years Mr Loxton was Executive Chairman of ASX listed Yowie Group Ltd.
Mr David Wheeler	Non-Executive Director (appointed 16 May 2017)
Qualifications	BA (Bus), SDIA
Experience	Mr Wheeler has more than 30 years executive management experience, through general management, CEO and managing director roles across a range of companies and industries. He has worked on business projects in the USA, UK, Europe, New Zealand, China, Malaysia, and the Middle East (Iran). David has been a Fellow of the Australian Institute of Company Directors (FAICD) since 1990.
Committee Memberships	Audit & Risk Committee
Equity Interests	9,750,000 options over ordinary shares with an exercise price of \$0.037.
Directorships held in other listed entities	Mr Wheeler is currently Non-Executive Chairman of 333D Ltd, Non-Executive Director of Antilles Oil and Gas Ltd, Castillo Copper Ltd and Ultracharge Ltd. In the last three years Mr Wheeler was a Non-Executive Director of ASX listed Premiere Eastern Energy Ltd.

Mr Young Yu	Non-Executive Director (appointed 1 May 2014)
Qualifications	B.Bus MBA CPA
Experience	Mr Yu was previously the Regional Director/Representative for the Western Australian Trade and Investment Office in South Korea for four years. In that position he was responsible for Industry and Agribusiness, with his main areas of responsibility in the Clean Energy, Mineral & Resources and Investment sectors.
Committee Memberships	Audit & Risk Committee
Equity Interests	4,896,722 ordinary shares and 10,000,000 options over ordinary shares with various exercise prices.
Directorships held in other listed entities	No other current directorships. Mr Yu has held no other directorships of ASX listed companies in the last 3 years.

Mr Stephen Rogers	Managing Director and CEO (appointed 26 July 2016; resigned 11 August 2017 (effective 10 November 2017))
Qualifications	BSc Eng, CE (MIMarEST), PMP and FAICD
Experience	Formerly a senior executive (SVP) at Woodside Energy (ASX:WPL), Mr Rogers was responsible for leading the early stages of the development and commercialisation of a significant LNG project offshore, Western Australia. More recently, as Head of Projects, he was responsible for greenfield LNG projects and brownfields LNG refurbishment, as well as multiple subsea tiebacks. In this capacity he implemented a strategic improvement plan to enhance project value propositions to combat prevailing low oil prices. Prior to this, he spent six years (including four years as CEO) at Nautilus Minerals, a TSX and AIM listed seafloor exploration and production company pioneering the extraction of seafloor resources rich in copper and gold. He was instrumental in securing over A\$500 million in capital and the necessary approvals for the development of the world's first deep-water sulphide resources mining operation offshore Papua New Guinea.
Directorships held in other listed entities	No other current directorships. In the last three years Mr Rogers has not held any listed directorships.

Company Secretary

Mr Matthew Foy, BCom, GradDipAppFin, GradDipACG, SAFin, AGIA, ACIS

Mr Foy is a contract company secretary and active member of the WA State Governance Council of the Governance Institute Australia (GIA). He spent four years at the ASX facilitating the listing and compliance of companies and possesses core competencies in publicly listed company secretarial, operational and governance disciplines. His working knowledge of ASIC and ASX reporting and document drafting skills ensure a solid base to make a valued contribution to Protean.

Meetings of Directors

During the financial year, four (4) meetings of Directors and one (1) meeting of the Audit and Risk Committee were held. Attendances by each Director during the year were as follows:

	Directors' Meetings		Audit & Risk Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
B Tarratt	4	4	1	1
Wayne Loxton ⁽¹⁾	1	1	-	-

	Directors' Meetings		Audit & Risk Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
S Rogers ⁽¹⁾	2	1	1	1
D Wheeler	4	4	1	1
Y Yu	4	4	1	1

1 Mr Loxton was appointed 6 November 2017.

2 Mr Rogers resigned as Managing Director, on 11 August 2017, effective 10 November 2017.

REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

- A. Introduction
- B. Remuneration governance
- C. Key management personnel
- D. Remuneration and performance
- E. Remuneration structure
 - Executive
 - Non-executive directors
- F. Executive service agreements
- G. Details of remuneration
- H. Share based compensation
- I. Other information

This report details the nature and amount of remuneration for each Director and key management personnel of Protean Energy Limited.

A. INTRODUCTION

The remuneration policy of the Company has been designed to align Director and management objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives, based on key performance areas affecting the Group's financial results. Key performance areas include cash flow management, growth in share price, successful exploration and subsequent exploitation of the Group's tenements and successful development and subsequent exploitation of the Group's wave technology. The Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best management and Directors to run and manage the Group, as well as create goal congruence between Directors, executives and shareholders.

During the year the Company did not engage remuneration consultants.

B. REMUNERATION GOVERNANCE

The Board retains overall responsibility for remuneration policies and practices of the Company. Due to the Company's size and current stage of development, the Board has not established a separate nomination and remuneration committee at this stage. This function (Remuneration Function) is performed by the Board.

The Board aims to ensure that the remuneration practices are:

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

- transparent and easily understood, and
- acceptable to Shareholders.

At the 2017 annual general meeting, the Company's remuneration report was passed by the requisite majority of shareholders (100% by a show of hands).

C. KEY MANAGEMENT PERSONNEL

The key management personnel in this report are as follows:

Non-Executive Directors – Current

- D Wheeler (Non-Executive Director) – appointed 16 May 2017
- Y Yu (Non-Executive Director) – appointed 1 May 2014

Non-Executive Directors – Former

- B Tarratt (Non-Executive Chairman) – appointed Executive Chairman 15 May 2018
- W Loxton (Non-Executive Director) – appointed 6 November 2017 and appointed Executive Director 15 May 2018

Executives – Current

- B Tarratt (Executive Chairman) – appointed 15 May 2018
- W Loxton (Executive Director) – appointed 15 May 2018

Executives – Former

- S Rogers (Managing Director) – appointed on 26 July 2016 and resigned 11 August 2017 (effective 10 November 2017)

D. REMUNERATION AND PERFORMANCE

The following table shows the gross revenue, net losses attributable to members of the Company and share price of the Group at the end of the current and previous four financial years.

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
	\$	\$	\$	\$	\$
Revenue from continuing operations	33,732	1,584	22,406	13,248	23,527
Net loss attributable to members of the Company	(3,669,481)	(7,107,731)	(4,718,084)	(4,720,479)	(1,482,005)
Share price	0.030	0.020	0.360	1.170	0.120

E. REMUNERATION STRUCTURE

Executive remuneration structure

The Board's policy for determining the nature and amount of remuneration for senior executives of the Group is as follows. The remuneration policy, setting the terms and conditions for executive directors and other senior executives, was developed and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives. The Board reviews executive packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

REMUNERATION REPORT (AUDITED) (continued)

Executives are also entitled to participate in the employee share option and performance rights plans. If an executive is invited to participate in an employee share option or performance rights plan arrangement, the issue and vesting of any equity securities will be dependent on performance conditions relating to the executive's role in the Group and/or a tenure based milestone.

The employees of the Group receive a superannuation guarantee contribution required by the Government, which is currently 9.50%, and do not receive any other retirement benefits.

Non-executive remuneration structure

In line with corporate governance principles, non-executive Directors of the Company are remunerated solely by way of fees and statutory superannuation. Non-executive Directors fees are set at the lower end of market rates for comparable companies for time, responsibilities and commitments associated with the proper discharge of their duties as members of the Board. Non-executive Directors of the Company may also be paid a variable consulting fee for additional services provided to the Company of \$1,000 per day inclusive of superannuation, except for Mr Loxton who provides additional variable consulting services at a rate of \$1,500 per day inclusive of superannuation.

Non-executive Directors' fees and payments are reviewed annually by the Board. For the year ended 30 June 2018, remuneration for a non-executive Director/Chairman was \$36,000 per annum inclusive of superannuation. There are no termination or retirement benefits paid to non-executive Directors (other than statutory superannuation). The maximum aggregate amount of fees that can be paid to non-executive Directors, which was subject to approval by shareholders as part of the replaced constitution at the annual general meeting which occurred on 26 November 2014, is \$250,000 per annum.

Fees for non-executive Directors are not linked to the performance of the Group. Non-executive Directors are able to participate in the employee share option or performance rights plans. In addition, in order to align their interests with those of shareholders, the non-executive Directors are encouraged to hold shares in the Company.

The Company has established an employee options plan (**Plan**) to attract directors with suitable qualifications, skills and experience to plan, carry out and evaluate the Company's Strategy and to motivate and retain those directors and employees. Participants in the Plan may be directors of the Company or any of its subsidiaries or any other related body corporate of the Company. On 8 May 2018 shareholder approval was sought and obtained to issue 9,750,000 options exercisable at 3.7¢ on or before 30 June 2021 to Messrs Mr Loxton, Mr Yu and Mr Wheeler, and 8,750,000 options exercisable at 3.7¢ on or before 30 June 2021 to Mr Tarratt (**Plan Options**). The Plan Options were issued on 5 June 2018 and vested immediately.

F. EXECUTIVE SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the share and performance rights plans are subject to the Board's discretion. Other major provisions of the agreements relating to remuneration are set out below. Termination benefits are within the limits set by the *Corporations Act 2001* such that they do not require shareholder approval.

New contractual arrangements with key management personnel

As a result of the changing nature of their work and the time commitments required, on the 15 May 2018, the company entered into Executive service agreements with Mr Tarratt and Mr Loxton. The service agreements would be for a time commitment of 3 days per week and a base salary of \$150,000 per annum for the time commitment.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Contractual arrangement with key management personnel

Executives – Current

Name	Effective date	Term of agreement	Notice period	Base salary per annum ⁽³⁾ \$	Termination payments
Bevan Tarratt ⁽¹⁾ , Executive Chairman	15-May-18	No fixed term	3 months	150,000	3 months
Wayne Loxton ⁽²⁾ , Executive Director	15-May-18	No fixed term	3 months	150,000	3 months

1 Mr Tarratt (Executive Chairman) – appointed Executive Chairman 15 May 2018

2 Mr Loxton (Executive Director) – appointed Executive Director 15 May 2018

3 Base salary based on a time commitment of 3 days per week

Executives – Former

Name	Effective date	Term of agreement	Notice period	Base salary per annum \$	Termination payments
Stephen Rogers ⁽¹⁾ , Managing Director	26-Jul-16	No fixed term	3 months	250,000	3 months
Stephen Rogers, Managing Director	1-Mar-17 ⁽²⁾	No fixed term	3 months	120,000	3 months

1 During the initial period from commencement the notice period is three (3) months, following the closing of a capital raising of not less than \$1,000,000, the Company's notice and termination becomes twelve (12) months, whilst the Employees remains at 3 months

2 Effective 1 March 2017, Mr Rogers agreed to a voluntary reduction in salary

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

G. DETAILS OF REMUNERATION

Details of remuneration of the key management personnel (KMP) (as defined in AASB 124 Related Party Disclosures) of the Company is set out below.

Remuneration of KMP for the 2018 financial year is set out below:

	Short-term benefits			Post-employment benefits		Share based payments		Total
	Cash salary	Consulting fees	Non-cash benefits ⁽¹⁾	Super-annuation	Termination	Performance rights ⁽²⁾	Options ⁽³⁾	
	\$	\$	\$	\$	\$	\$		\$
Non-Executive Directors – Current								
D Wheeler ⁽⁴⁾	36,000	-	-	-	-	-	226,975	262,975
Y Yu ⁽⁵⁾	36,000	33,000	-	-	-	-	226,975	295,975
Non-Executive Director – Former								
B Tarratt ⁽⁶⁾	30,137	69,662	-	9,481	-	-	203,695	312,975
W Loxton ⁽⁷⁾⁽⁸⁾	19,500	12,000	-	-	-	-	226,975	258,475
Executives – Current								
B Tarratt ⁽⁶⁾	19,000	-	225	1,805	-	-	-	21,030
W Loxton ⁽⁷⁾	19,000	-	288	1,805	-	-	-	21,093
Executives – Former								
S Rogers ⁽⁹⁾	47,002	-	873	11,904	-	10,302	-	70,081
Total	206,639	114,662	1,386	24,995	-	10,302	884,620	1,242,604

1 Other benefits include the provision of a mobile phone allowance.

2 Performance rights granted as part of remuneration package, AASB 2 – Share Based Payments requires the fair value at grant date of the performance rights granted to be expensed over the vesting period.

3 Options granted as part of remuneration have been valued in accordance with AASB 2 – Share Based Payments.

4 Mr Wheeler, Non-Executive Director, is a director of Pathways Corporate Pty Ltd, which was owed Mr Wheeler's director fees during the period.

5 Mr Yu, Non-Executive Director, is a director of JLC Corporation Pty Ltd, which received Mr Yu's director and consulting fees during the period.

6 Mr Tarratt was appointed Executive Chairman 15 May 2018.

7 Mr Loxton was appointed as Non-Executive Director on 6 November 2017 and Executive Director 15 May 2018.

8 Mr Loxton, whilst Non-Executive Director, was a director of Atlantic Consulting Pty Ltd, which received Mr Loxton's non-executive director fees during the period.

9 Mr Rogers resigned on 11 August 2017, effective 10 November 2017.

The following table sets out each KMP's relevant interest in fully paid ordinary shares, options and performance rights to acquire shares in the Company, as at 30 June 2018:

Name	Fully paid ordinary shares	Options	Performance rights
B Tarratt	755,172	9,211,476	-
W Loxton ⁽¹⁾	7,000,495	9,750,000	-
D Wheeler	-	9,750,000	-
Y Yu	4,896,722	10,000,000	-

1 Mr Loxton appointed 6 November 2017.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of KMP for the 2017 financial year is set out below:

	Short-term benefits			Post-employment benefits		Share based payments		Total
	Cash salary	Consulting fees	Non-cash benefits ⁽¹⁾	Super-annuation	Termination	Performance rights ⁽²⁾	Options	
	\$	\$	\$	\$	\$	\$		\$
Non-Executive Directors – Current								
B Tarratt ⁽³⁾	32,877	56,000	-	3,123	-	-	-	92,000
D Wheeler ⁽⁴⁾⁽⁵⁾	4,500	-	-	-	-	-	-	4,500
Y Yu ⁽⁶⁾	36,000	40,000	-	-	-	-	-	76,000
Non-Executive Director – Former								
B Hammond ⁽⁷⁾⁽⁸⁾	32,000	-	-	-	-	-	-	32,000
Executives – Current								
S Rogers ⁽⁹⁾	189,801	-	2,200	13,439	-	139,698	-	345,138
Executives – Former								
B Lane ⁽¹⁰⁾	12,500	-	1,073	4,750	81,944	3,519	-	103,786
S Moore ⁽¹¹⁾	12,500	-	150	1,188	-	12,214	-	26,052
Total	320,178	96,000	3,423	22,500	81,944	155,431	-	679,476

1 Other benefits include the provision of car parking and a mobile phone allowance.

2 Performance rights granted as part of remuneration package, AASB 2 – Share Based Payments requires the fair value at grant date of the performance rights granted to be expensed over the vesting period.

3 Mr Tarratt, Non-Executive Chairman, is a trustee of Blackfriar Unit Trust which received Mr Tarratt's consulting fees during the period.

4 Mr Wheeler was appointed Non-Executive Director on 16 May 2017.

5 Mr Wheeler, Non-Executive Director, is a director of Pathways Corporate Pty Ltd, which was owed Mr Wheeler's director fees during the period.

6 Mr Yu, Non-Executive Director, is a director of JLC Corporation Pty Ltd, which received Mr Yu's director and consulting fees during the period.

7 Mr Hammond resigned as Non-Executive Chairman on 27 February 2017.

8 Mr Hammond, Non-Executive Chairman, is a director of Seymour Associates Pty Ltd which received Mr Hammond's director and consulting fees during the period.

9 Mr Rogers appointed Managing Director on 26 July 2016 and resigned on 11 August 2017, effective 10 November 2017.

10 Mr Lane resigned as Managing Director effective 26 July 2016.

11 Mr Moore resigned as Chief Technology Officer effective 25 July 2016.

H. SHARE BASED COMPENSATION

Performance rights

During the year ended 30 June 2018, the following performance rights were granted, vested and/or lapsed to KMP:

Grant date	Grant value ⁽¹⁾ \$	Number granted	Number of vested during the year	Number vested but not yet exercisable	Number lapsed during the year	Maximum value yet to expense \$
Stephen Rogers - Managing Director ⁽²⁾						
26-Jul-16	150,000	333,333	(333,333)	-	-	-

1 The value of performance rights is calculated as the fair value of the rights at grant date and allocated to remuneration equally over the period from grant date to expected vesting date.

2 Mr Rogers resigned on 11 August 2017, effective 10 November 2017.

REMUNERATION REPORT (AUDITED) (continued)

The key conditions of awards affecting remuneration in the current and future reporting periods are set out below:

Type of grant	Grant date	Expected vesting dates	Expiry date	Exercise price \$	Average fair value ⁽¹⁾ \$	Service and/or performance condition	Achieved	Vested
Performance rights	26-Jul-16 ⁽²⁾	25-Jul-17	25-Jul-17	-	0.45 ⁽³⁾⁽⁴⁾	Service ⁽⁵⁾	100%	100%

- 1 The value of performance rights is calculated as the fair value of the rights at grant date, which is equal to the share price on grant date. The values are allocated to remuneration equally over the period from grant date to expected vesting date.
- 2 Performance rights granted to Mr Rogers were negotiated prior to appointment.
- 3 Performance rights can only be converted if they have vested. Upon conversion each performance right is convertible into one ordinary share which will rank equally with all other issued ordinary shares.
- 4 The value of performance rights granted are calculated in accordance with AASB2 Share based Payments at grant date. Refer to Note 17 of the financial statements for details of the assumptions used in calculating the value of each performance right as at their grant date.
- 5 Performance rights had a 1-year service condition.

The performance rights were issued to incentivise KMP as part of their remuneration package. The performance rights were issued to encourage continued improvement in the performance of the Company and individuals, as well as to provide a method to share in the added value created contributing to the attainment of the results. The issue of the performance rights is appropriate and effective in its ability to attract and retain the best management and Directors to run and manage the Group, as well as create goal congruence between Directors, executives and shareholders.

Options

	Grant date	Grant value ⁽¹⁾ \$	Number granted	Value per option ⁽²⁾ \$	Expiry date	Vesting date	Number exercised	Vested %
Bevan Tarratt Executive Chairman ⁽³⁾	08-May-18	203,695	8,750,000	0.0233	30-Jun-21	08-May-18	-	100%
Wayne Loxton Executive Director ⁽⁴⁾	08-May-18	226,975	9,750,000	0.0233	30-Jun-21	08-May-18	-	100%
David Wheeler Non-Executive Director	08-May-18	226,975	9,750,000	0.0233	30-Jun-21	08-May-18	-	100%
Young Yu Non-Executive Director	08-May-18	226,975	9,750,000	0.0233	30-Jun-21	08-May-18	-	100%

- 1 Value of options has been calculated in accordance with AASB 2: Share Based Payments.
- 2 Refer to Note 17 of the financial statements for details of the assumptions used in calculating the value of each option as at their grant date.
- 3 Mr Tarratt was appointed Executive Chairman 15 May 2018.
- 4 Mr Loxton was appointed as Non-Executive Director on 7 November 2017 and Executive Director 15 May 2018.

The options carry no dividend or voting rights. No conditions must be satisfied for the options to vest. When exercisable, each option is convertible into one ordinary share of Protean Energy Limited. No options were exercised during the year, the table above shows the number of options over ordinary shares in the company provided as remuneration during the year to KMP is shown in the table above.

REMUNERATION REPORT (AUDITED) (continued)

Relative proportions of fixed vs variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense for the 2018 and 2017 financial years:

	Fixed remuneration	At risk STI	At risk LTI	Fixed remuneration	At risk STI	At risk LTI
	2018			2017		
Non-Executive Directors – Current						
D Wheeler ⁽¹⁾	14%	86%	-	100%	-	-
Y Yu	23%	77%	-	100%	-	-
Non-Executive Director – Former						
W Loxton ⁽²⁾	12%	88%	-			
B Tarratt ⁽³⁾	35%	65%	-	100%	-	-
B Hammond ⁽⁴⁾				100%	-	-
R Henning ⁽⁵⁾				-	-	-
Executives – Current						
W Loxton ⁽²⁾	100%	-	-			
B Tarratt ⁽³⁾	100%	-	-			
Executives – Former						
S Rogers ⁽⁶⁾	85%	15%	-	60%	40%	-
B Lane ⁽⁷⁾				97%	3%	-
S Moore ⁽⁸⁾				53%	47%	-

1 Mr Wheeler was appointed as Non-Executive Director on 15 May 2017.

2 Mr Loxton was appointed as Non-Executive Director on 6 November 2017 and Executive Director 15 May 2018.

3 Mr Tarratt was appointed as Executive Chairman 15 May 2018.

4 Mr Hammond was appointed as Non-Executive Chairman on 1 July 2015 and resigned on 27 February 2017.

5 Mr Henning resigned as Non-Executive Chairman on 1 July 2015.

6 Mr Rogers appointed Managing Director on 26 July 2016 and resigned on 11 August 2017, effective 10 November 2017.

7 Mr Lane was resigned as Managing Director on 26 July 2016.

8 Mr Moore resigned as Chief Technology Officer (Wave Energy) on 25 July 2016.

Reconciliation of equity instruments held by KMP

The following table sets out a reconciliation of each KMP's relevant interest in ordinary shares and options and performance rights to acquire shares in the Company:

	Balance at the start of the year/period	Granted/ Acquired	Exercised/ Vested	Lapsed	Other changes	Balance at year end
Non-Executive Directors – Current						
D Wheeler						
Options	-	9,750,000	-	-	-	9,750,000
Y Yu						
Fully paid ordinary shares	1,646,722	3,250,000 ⁽¹⁾	-	-	-	4,896,722
Options	250,000	9,750,000	-	-	-	10,000,000

REMUNERATION REPORT (AUDITED) (continued)

	Balance at the start of the year/period	Granted/ Acquired	Exercised/ Vested	Lapsed	Other changes	Balance at year end
Executives – Current						
B Tarratt ⁽²⁾						
Fully paid ordinary shares	755,172	-	-	-	-	755,172
Options	461,476	8,750,000	-	-	-	9,211,476
W Loxton ⁽³⁾						
Fully paid ordinary shares	7,000,495	-	-	-	-	7,000,495
Options	-	9,750,000	-	-	-	9,750,000
Executives – Former						
S Rogers ⁽⁴⁾						
Performance rights	333,333	-	(333,333)	-	-	-

1 Shares acquired as part of the rights issue in July 2017.

1 Mr Tarratt was appointed Executive Chairman 15 May 2018.

2 Mr Loxton was appointed as Non-Executive Director on 6 November 2017 and Executive Director 15 May 2018.

3 Mr Rogers resigned on 11 August 2017, effective 10 November 2017.

None of the fully paid ordinary shares above are held nominally by the Directors or any other KMP.

I. OTHER INFORMATION

Other transactions with key management personnel

Mr Young Yu, Non-Executive Director, is a director of JLC Corporation Pty Ltd, which received Mr Yu's director and consulting fees during the period. At year end the Company had an outstanding payable balance of \$8,800.

Mr Wayne Loxton, Executive Director, is a director of Atlantic Consulting Pty Ltd which received Mr Loxton's non-executive director fees during the period. At year end the Company had an outstanding accrued balance of \$1,500.

Mr David Wheeler, Non-Executive Chairman, is a director of Pathways Corporate Pty Ltd which is owed Mr Wheeler's director fees during the year.

Unissued ordinary shares

Unissued ordinary shares under option at the date of this report are 93,202,796 and broken-down as follows:

- Share options issued to Directors, employees, consultants and vendors 88,379,159
- Other options issued 4,823,637

Options over ordinary shares range between exercise prices of \$0.037 and \$2.43.

This concludes the Remuneration Report which has been audited.

ENVIRONMENTAL REGULATIONS

The Company's policy is to comply with, or exceed, its environmental obligations in each jurisdiction in which it operates. No known environmental breaches have occurred.

INDEMNIFYING OFFICERS

During the financial year, the Company paid a premium in respect of a policy insuring the Company's Directors, secretaries, executive officers and any related body corporate against a liability incurred as such a director, secretary or officer to the extent permitted by the *Corporations Act 2001*. The policy of insurance prohibits disclosure of the nature

of the liability and the amount of the premium. The Company has entered into Deeds of Indemnity, Insurance and Access with the Company's Directors, Secretary and Executive Officers.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any of the related body corporates against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Protean, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of Protean for all or part of these proceedings.

No proceedings have been brought or intervened in on behalf of Protean with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2018 has been received and can be found on page 22.

AUDITOR'S REMUNERATION

During the financial period the following fees were paid or payable for services provided by related entities of BDO (Audit) WA Pty Ltd.

	2018 \$	2017 \$
Taxation services		
<i>BDO Tax (WA) Pty Ltd</i>		
Tax compliance services	3,030	9,840
International tax consulting and tax advice	4,590	6,630
Total remuneration for taxation services	7,620	16,470
Total remuneration for non-audit services	7,620	16,470

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of Directors have considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 295(5) of the *Corporations Act 2001*.



Bevan Tarratt
Chairman
Perth, Western Australia
31 August 2018

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

As lead auditor of Protean Energy Limited for the year ended 30 June 2018, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in blue ink, appearing to read 'J Prue', is written over a faint, circular blue ink stamp.

Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 31 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Revenue from continuing operations			
Interest income		33,732	1,584
Expenses			
Research and development expense	1	253,575	(33,390)
Exploration expense	1	(374,951)	-
Depreciation and amortisation expense	1	(8,446)	(881,802)
Administrative expense	1	(1,233,301)	(1,656,212)
Finance costs	1	(52,369)	(288,681)
Share based payment expense	1	(1,878,296)	(77,425)
Impairment of available for sale assets	1	-	(1,445,819)
Impairment of WEC technology assets	1	-	(2,712,118)
Loss on deconsolidation of subsidiary	4	(204,381)	-
Share of net loss of associate accounted using the equity method	4	(37,577)	-
Share of net loss of joint venture accounted using the equity method	10	(167,469)	(101,925)
Foreign exchange loss		-	(32,383)
Loss before income tax		(3,669,483)	(7,228,171)
Income tax benefit	3	-	-
Loss after income tax attributable		(3,669,483)	(7,228,171)
Loss after income tax attributable to:			
Members of the Company		(3,669,481)	(7,107,731)
Non-controlling interest		(2)	(120,440)
		(3,669,483)	(7,228,171)
Loss per share for loss from continuing operations attributable to the ordinary equity holders			
Basic and diluted loss per share (cents per share)	19	(1.42)	(17.66)

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 YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Loss after income tax attributable		(3,669,483)	(7,228,171)
Other comprehensive income			
<i>Items that may be reclassified to the profit or loss</i>			
Exchange differences on translation of foreign operations		70,688	(869)
Reclassified exchange differences on deconsolidation of subsidiary		(1,810)	-
Changes in the fair value of available for sale assets	9	913,373	53,768
Other comprehensive income for the period, net of tax		982,251	52,899
Total comprehensive loss for the period		(2,687,232)	(7,175,272)
Total comprehensive loss for the period attributable to:			
Members of the Company		(2,687,230)	(7,056,642)
Non-controlling interest		(2)	(118,630)
		(2,687,232)	(7,175,272)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	5	2,419,879	167,216
Trade and other receivables	6	62,310	41,695
Total current assets		2,482,189	208,911
Non-current assets			
Plant and equipment	7	50,095	669,102
Trade and other receivables		-	42,032
Intangibles – Battery Technology	8	-	33,823
Interest in associate – KORID Energy	4	-	-
Investment in joint venture – Stonehenge Korea	10	2,847,045	2,607,351
Available for sale financial assets	9	1,899,226	928,828
Total non-current assets		4,796,366	4,281,136
Total assets		7,278,555	4,490,047
Current liabilities			
Trade and other payables	11	307,413	534,509
Provisions	12	1,268	21,644
Borrowings	14	-	1,018,146
Total current liabilities		308,681	1,574,299
Total liabilities		308,681	1,574,299
Net assets		6,969,874	2,915,748
Equity			
Issued capital	15(a)	34,918,095	29,807,643
Reserves	15(c)	9,641,754	6,781,207
Accumulated losses	15(b)	(37,590,096)	(33,920,613)
Capital and reserves attributable to owners		6,969,753	2,668,237
Non-controlling interest		121	247,511
Total equity		6,969,874	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 YEAR ENDED 30 JUNE 2018

	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 year		-	-	(7,107,731)	(120,440)	(7,228,171)
Other comprehensive loss		-	51,089	-	1,810	52,899
Total comprehensive loss for the year		-	51,089	(7,107,731)	(118,630)	(7,175,272)
Transactions with owners in their capacity as owners						
Shares issued during the year	15(a)	851,602	-	-	-	851,602
Share issue expenses	15(a)	(19,525)	-	-	-	(19,525)
Non-controlling interest on acquisition	26(b)	-	-	-	366,018	366,018
Performance rights/options expense recognised during the year	17	-	77,425	-	-	77,425
As at 30 June 2017		29,807,643	6,781,207	(33,920,613)	247,511	2,915,748
Loss for the year		-	-	(3,669,481)	(2)	(3,669,483)
Other comprehensive income		-	982,251	-	-	982,251
Total comprehensive income/(loss) for the year		-	982,251	(3,669,481)	(2)	(2,687,232)
Transactions with owners in their capacity as owners						
Shares issued during the year	15(a)	5,359,380	-	-	-	5,359,380
Share issue expenses	15(a)	(248,928)	-	-	-	(248,928)
Deconsolidation of subsidiary	4	-	-	-	(247,388)	(247,388)
Performance rights/options expense recognised during the year	17	-	1,878,296	-	-	1,878,296
As at 30 June 2018		34,918,095	9,641,754	(37,590,096)	121	6,969,874

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Payments in the normal course of business		(1,288,331)	(1,786,509)
Interest received		33,732	1,584
Finance costs		(445)	(49,580)
Net cash outflow from deconsolidation of subsidiary		(172,659)	-
Net cash used in operating activities	25	(1,427,703)	(1,834,505)
Cash flows from investing activities			
(Payments)/proceeds for property, plant and equipment	7	(55,000)	1,669
Loan from other entities	13	-	60,458
Cash acquired as part of asset acquisition	4	-	45,735
Investment in joint venture	10	(393,500)	(176,000)
Net cash used in investing activities		(448,500)	(68,138)
Cash flows from financing activities			
Proceeds from borrowings	14	-	650,000
Proceeds from issue of shares	15	4,148,795	200,000
Share issue costs	15	(188,928)	(19,525)
Net cash inflow from deconsolidation of subsidiary		269,464	-
Net cash inflow from financing activities		4,229,331	830,475
Net increase/(decrease) in cash and cash equivalents		2,353,128	(1,072,168)
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	5	2,419,879	167,216

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. EXPENSES

	Note	2018 \$	2017 \$
Loss before income tax includes the following specific items:			
Research and development expense			
Research and development costs ⁽¹⁾		70,654	747,217
Research and development tax rebate ⁽²⁾		(324,229)	(713,827)
Total research and development expense		(253,575)	33,390
Exploration expense			
Core analysis work		258,624	-
Other costs		116,327	-
Total exploration expense		374,951	-
Depreciation and amortisation expense			
Depreciation expense	7	8,446	135,950
Amortisation expense – WEC Technology		-	743,186
Amortisation expense – Battery Technology	8	-	2,666
Total depreciation and amortisation expense		8,446	881,802
Administrative expenses			
Employee benefits expense		74,636	304,480
Director benefits expense		292,553	445,649
Regulatory expense		136,818	195,400
Travelling expenses		94,491	91,520
Accounting expense		43,885	100,930
Advertising and marketing expense		94,353	70,513
Audit expense		36,424	64,885
Rent expense		13,416	65,669
Corporate advisory fees		304,000	60,000
Legal fees		40,153	110,572
Other administrative expenses		102,572	146,594
		1,233,301	1,656,212
Finance costs			
Fair value adjustment – issue of share capital	13	48,363	230,571
Facility fee	13	-	39,060
Interest expense		4,006	19,050
Total finance cost		52,369	288,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1 EXPENSES (continued)

	Note	2018 \$	2017 \$
Share based payments expense			
Options	17(a)	1,978,754	-
Performance rights	17(b)	(100,458)	77,425
Total share based payments expense		1,878,296	77,425
Loss on deconsolidation of subsidiary ⁽³⁾	4	204,381	-
Share of net loss of associate accounted using the equity method ⁽⁴⁾	4	37,577	-
Impairment of WEC technology assets		-	2,712,118
Impairment of available for sale assets	9	-	1,392,050
Impairment of available for sale assets recycled directly into profit & loss from reserves		-	53,769
Share of net loss of joint venture accounted using the equity method ⁽⁵⁾	10	167,469	101,925

1 Expenditure incurred for research and development activities in relation to Protean™ wave energy convertor technology

2 Research and development tax incentive relating to expenditure on research and development activities in relation to Protean™ wave energy convertor technology incurred in the 2016 financial year

3 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 \$204,381 was recognised in the Statement of Profit or Loss

4 Share of loss from KORID Energy, investment in associate

5 Share of loss from Stonehenge Korea Inc, investment in joint venture

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. SEGMENT INFORMATION

Management has determined that the Group has four reportable segments, being exploration in South Korea, investment in Battery Technology, Other exploration activities and investment in Wave Technology. The Group's exploration in South Korea is funded through its joint venture investment in Stonehenge Korea Inc and exploration activity undertaken by the Group. The Group's development of Battery Technology is funded through its investment in associate and direct spend undertaken by the Group. 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.

	Revenue from external sources \$	Reportable segment loss \$	Reportable segment assets ⁽¹⁾ \$	Reportable segment liabilities \$
<i>For year ended 30 June 2018</i>				
Wave technology	-	253,575	-	(13,493)
Exploration – South Korea				
Investment in Joint Venture	-	(167,469)	2,847,045	-
Exploration activity	-	(258,624)	50,081	(52,030)
Battery technology				
Investment in Associate	-	(241,958)	-	-
Battery Technology	-	-	-	(7,522)
Exploration Other	-	(116,327)	-	(55,199)
Corporate activities	33,732	(3,138,680)	4,381,429	(180,437)
Total	33,732	(3,669,483)	7,278,555	(308,681)
<i>For year ended 30 June 2017</i>				
Wave technology	-	(3,403,019)	-	(6,482)
Exploration – South Korea				
Investment in Joint Venture	-	(94,138)	2,607,351	-
Exploration activity	-	-	-	-
Battery technology				
Battery Technology	28	(240,910)	752,068	(260,913)
Corporate activities	1,556	(3,490,104)	1,130,628	(1,306,904)
Total	1,584	(7,228,171)	4,490,047	(1,574,299)

1 Other corporate activities include cash held of \$2,419,879 for the year ended 30 June 2018 and \$163,546 for the year ended 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. TAXATION

	2018 \$	2017 \$
Income tax benefit		
Current tax	-	-
Deferred tax	-	-
Income tax benefit	-	-
Reconciliation of income tax to prima facie tax payable		
Loss before income tax	(3,669,483)	(7,228,172)
Income tax benefit at 27.5% (30 June 2017: 30%)	(1,009,108)	(2,168,452)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	516,531	23,227
Impairment of assets	-	1,247,381
Other	282,528	146,430
Tax losses and other timing differences not recognised	199,649	751,413
Foreign tax rate differential	10,400	-
Total income tax benefit	-	-
Unrecognised deferred tax assets		
Deferred tax assets and liabilities not recognised relate to the following:		
Tax losses	7,585,359	7,973,103
Other	50,418	248,821
Net deferred tax assets unrecognised	7,635,776	8,221,924

Significant accounting judgment

Deferred tax assets

The Group expects to have carried forward tax losses, which have not been recognised as deferred tax assets, as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions. The utilisation of the tax losses is subject to the Group passing the required Continuity of Ownership and Same Business Test rules at the time the losses are utilised. Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary difference can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4. ASSET ACQUISITION

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.

	Note	7 March 2017 \$
Current assets		
Cash and cash equivalents		45,735
Trade and other receivables		4,809
Office bond		42,254
Total current assets		92,798
Non-current assets		
Plant and equipment	7	797,765
Intangibles – Battery technology	8	36,600
Total non-current assets		834,365
Total assets		927,163
Current liabilities		
Trade and other payables		134,600
Borrowings		60,526
Total current liabilities		195,126
Total liabilities		195,126
Net assets		732,036

In consideration for 50% equity in KORID Energy, Protean issued 189,000,000 pre-consolidation 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.

	Note	7 March 2017 \$
Fair value of net assets acquired		732,036
50% Non-controlling interest ⁽¹⁾	26(b)	366,018
Consideration provided for assets acquired	15	366,018

¹ The Group has measured the non-controlling interest (NCI) in the acquired subsidiary at the NCI's proportionate share of the net assets acquired.

The Group 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 year. As a result, the subsidiary was deconsolidated from the Group as at 31 December 2017 and a loss on deconsolidation of \$204,381 was recognised in the Statement of Profit or Loss.

Loss on deconsolidation of subsidiary	
Loss for the period until 31 December 2017	416,002
Non-controlling interest	(247,388)
Loss on investment	35,767
Total loss on deconsolidation of subsidiary	204,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4. ASSET ACQUISITION (continued)

The resulting investment is subsequently accounted for as an Investment in Associate as follows:

	2018 \$	2017 \$
Opening balance	-	-
Investment in Associate	37,577	-
Share of net loss of investment using the equity method	(37,577)	-
Closing balance	-	-

Refer Note 29(m) for the Group's other accounting policies on asset acquisitions.

Significant accounting judgments

Control assessment – as at 7 March 2017

The directors determined that they control KORID Energy even though the Group only acquired a 50% controlling interest of the issued capital of this entity. The Group have control through the Chairperson's casting vote, who was eligible to be a Protean representative in any decisions made as a Director group of KORID Energy. As a result of the casting vote the Group has control over the activities and is exposed, and has rights, to variable returns from this entity and is able to use its power over the entity to affect those returns.

Control assessment – as at 31 December 2017 and 30 June 2018

The directors have determined that they have lost control of KORID Energy on 31 December 2017 however, significant influence has been retained. As a result, the Investment in Associates in the consolidated financial statements is accounted for using the equity method of accounting.

Asset acquisition not constituting a Business

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

In determining when an acquisition is determined to be an asset acquisition and not a business, significant judgement is required to assess whether the assets acquired constitute a business in accordance with AASB 3. Under AASB 3 a business is an integrated set of activities and assets that is capable of being conducted or managed for the purpose of providing a return, and consists of inputs and processes, which when applied to those inputs has the ability to create outputs.

Management determined that the acquisition of KORID Energy was an asset acquisition.

Fair value of asset acquisition

During the financial year, 30 June 2017, 189,000,000 pre-consolidation shares were issued to KORID in consideration for the Battery intellectual property. The fair value of consideration was by reference to the fair value of assets and liabilities acquired in accordance with AASB 2. The fair value of the shares granted to KORID was determined to be \$366,018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

5. CASH AND CASH EQUIVALENTS

	2018 \$	2017 \$
Cash at bank	2,419,879	167,216

(a) Risk exposure

Refer to Note 18 for details of the risk exposure and management of the Group's cash and cash equivalents.

(b) Deposits at call

Deposits at call are presented as cash equivalents if they have a maturity of three months or less. Refer Note 29(i) for the Group's other accounting policies on cash and cash equivalents.

6. CURRENT TRADE AND OTHER RECEIVABLES

	2018 \$	2017 \$
Other receivables	53,112	36,095
Prepayments	9,198	5,600
	62,310	41,695

The Group has no impairments to other receivables or have receivables that are past due but not impaired.

Due to the short-term nature of the current trade and other receivables, their carrying amount is assumed to be the same as their fair value.

Other receivables are generally due for settlement within 30 days and are therefore classified as current.

Refer to Note 18 for details of the risk exposure and management of the Group's trade and other receivables.

7. PLANT AND EQUIPMENT

	Machinery \$	Tools & Equipment \$	Fixtures \$	Office Equipment \$	Mining Equipment \$	Total \$
Year ended 30 June 2018						
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)	(1,049)	(172)	(8,275)	(224,286)
Deconsolidation of subsidiary	(496,054)	(365)	(956)	-	-	(497,375)
Closing net book amount	-	-	-	15	50,080	50,095
Cost	795,789	848	2,171	345	102,765	901,918
Accumulated depreciation	(299,735)	(483)	(1,215)	(330)	(52,685)	(354,448)
Deconsolidation of subsidiary	(496,054)	(365)	(956)	-	-	(497,375)
Net book amount	-	-	-	15	50,080	50,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

7. PLANT AND EQUIPMENT (continued)

	Note	Machinery \$	Tools & Equipment \$	Fixtures \$	Office Equipment \$	Mining Equipment \$	Total \$
Year ended 30 June 2017							
Opening net book value		-	-	-	712	5,592	6,304
Asset acquisition	4	795,916	848	1,001	-	-	797,765
Exchange differences		(127)	-	(33)	-	-	(160)
Additions		-	-	1,203	466	-	1,669
Disposals		-	-	-	(526)	-	(526)
Depreciation charge	1	(132,752)	(204)	(292)	(465)	(2,237)	(135,950)
Closing net book amount		663,037	644	1,879	187	3,355	669,102
Cost		795,789	848	2,171	345	47,766	846,914
Accumulated depreciation		(132,752)	(204)	(292)	(158)	(44,411)	(177,817)
Net book amount		663,037	644	1,879	187	3,355	669,102

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 indicate that the carrying values may not be recoverable.

(a) Revaluation, depreciation methods and useful lives

Plant and equipment is recognised at historical cost less depreciation and any accumulated impairment losses.

Significant estimate and judgement

Estimate of useful life

Depreciation is calculated using both the diminishing value and straight-line methods to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives:

- Machinery 5 years
- Tools & Equipment 3 years
- Fixtures 7 years
- Office equipment 2 years
- Mining Equipment 5 years

Refer Note 29(l) for the Group's other accounting policies on plant and equipment.

Impairment of assets

The Group reviews whether there are any indicators of impairment annually. No impairment indicators were identified, and no impairment has been recognised for the current period (30 June 2017 – \$ nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

8. INTANGIBLES – BATTERY TECHNOLOGY

	Note	2018 \$	2017 \$
Opening balance		33,823	-
Acquisition of the Battery Technology	4	-	36,600
Amortisation charge	1	(2,791)	(2,666)
Foreign exchange loss		(1,938)	(111)
Deconsolidation of subsidiary	4	(29,094)	-
Closing balance		-	33,823

¹ Amortisation charge on deconsolidation has been recorded as part of loss on deconsolidation.

In December 2016, the Company entered into a binding Term Sheet with KORID Inc (KORID), its existing Korean Joint Venture (JV) partner, to acquire a 50% stake in KORID's wholly owned subsidiary KORID Energy Co. Ltd (KORID Energy). KORID Energy has developed a suite of flow batteries from 2kW up to 25kW and owns the intellectual property behind the design. The flow battery concept allows scaling of design to meet potentially very large storage needs for industry and communities.

A general meeting of shareholders was held on 17 January 2017 where approval was obtained for the acquisition to be made through the issue of 189 million Protean shares. The shares were escrowed for a period of 12 months from the date of issuance, representing KORID's commitment to the development and strong partnership with Protean, refer to Note 4 for additional details.

The acquisition was complimentary to the Company's Daejeon Project asset in South Korea, consisting of vanadium, a key element in the manufacture of KORID's Vanadium Redox Flow Battery Energy Storage System (VRFB-ESS). KORID Energy is continuing the research and development of the Battery Technology that improved and changed the current device.

On 31 December 2017, the Group 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 effective 31 December 2017 and a loss on deconsolidation of \$204,381 was recognised in the Statement of Profit or Loss.

Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Patents, trademark and licences 5 - 7 years

During the year ended, 30 June 2017 and up to deconsolidation date, 31 December 2017, the Battery technology asset was being amortised over a 7-year period.

See Note 29(n) for the other accounting policies relevant to intangible assets and Note 29(h) for the Group's policy regarding impairments.

Significant accounting estimates, assumptions and judgements

Available for use

The patents, rights & licences acquired were deemed available for use upon acquisition, 7 March 2017. Given the patents, rights & licences were being utilised for research and development of the Battery Technology, they were deemed available for use.

The useful life was the period over which an asset was expected to be available for use by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

8. INTANGIBLES – BATTERY TECHNOLOGY (continued)

Estimate of useful life

As at 30 June 2018, the carrying amount of patents, rights & licences acquired in relation to the Battery Technology was nil (2017 – \$ 33,823). The subsidiary was deconsolidated from the Group effective 31 December 2017, and the Battery Technology assets as at 30 June 2018 were carried at nil.

Impairment of assets

The Group reviews whether there are any indicators of impairment annually. The subsidiary was deconsolidated from the Group effective 31 December 2017, and the Battery Technology assets as at 30 June 2018 were carried at nil. No impairment indicators were identified during the prior period.

9. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSET

Available for sale financial assets comprise of listed equity securities in Korea Securities Dealers Automated Quotations (KOSDAQ) listed DST Co. Ltd (formerly Korea Resources Investment & Development Inc.) (DST). Proceeds from the sale of any of the DST shares are to be re-invested by the Company into the Stonehenge Korea Inc. projects or any other collaboration project agreed to by the parties.

	Note	2018 \$	2017 \$
Opening balance		928,828	2,340,377
Revaluation gain recognised in other comprehensive income		913,373	-
Foreign exchange gain/(loss) recognised		57,025	(19,499)
Impairment loss recognised	1	-	(1,392,050)
Closing balance		1,899,226	928,828

Significant accounting estimates, assumptions and judgements

Classification of financial assets as available for sale

Investments are designated as available for sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long- term. Financial assets that are not classified into any of the other categories (at FVPL loans and receivables or held-to-maturity investments) are also included in the available for sale category. Available for sale financial assets are classified as non-current.

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.

After a period of suspension from the KOSDAQ, which commenced on 9 November 2016, DST recommenced trading on 27 April 2018, following successful satisfaction of the KOSDAQ listing requirements.

Following recommencement of trading the share price rebounded and was trading above the carrying value of the available for sale financial asset.

Subsequent to year end, on 16 July 2018, DST completed a 5:1 share split. The resulting share split has declined the value of the available for sale financial asset approximately 10% as at the date of this report.

Fair value for available for sale financial assets

Information about the methods and assumptions used in determining fair value is provided in Note 14.

The available for sale financial asset is denominated in Korean Won.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

10. INTEREST IN JOINT VENTURE

Protean has formal joint venture with DST Co. Ltd (formerly Korea Resources Investment & Development Inc.) (**DST**). The JV was created via the sale to KORID of 50% of Stonehenge Korea Inc. The JV progressed with Stage 1, being the core testing program at KIGAM during the year.

	Note	2018 \$	2017 \$
Opening balance		2,607,351	2,542,852
Additional investment at cost ⁽¹⁾		393,500	176,000
Share of net loss of joint venture accounted using the equity method	1	(167,469)	(101,925)
Foreign exchange gain recognised in other comprehensive income		13,663	(9,576)
Closing balance		2,847,045	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 KORID requires the Company to fully fund Stage 1 of the JV. The JV Agreement with KORID requires the Company to spend up to \$800,000 during Stage 1 of the JV. 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.

Interests in joint ventures

Set out below is the JV of the Group as at 30 June 2018 which, in the opinion of the directors, is material to the Group. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	Measurement method	% of ownership interest		Quoted fair value		Carrying amount	
			2018 %	2017 %	2018 \$	2017 \$	2018 \$	2017 \$
Stonehenge Korea Inc ⁽¹⁾	South Korea	Equity method	50	50	N/A ⁽²⁾	N/A ⁽²⁾	2,847,045	2,607,351

1 Stonehenge Korea Inc is focused on accelerating development of the Daejon vanadium and uranium project by conducting work to contribute to the preparation of a pre-feasibility study.

2 As the entity is a private entity no quoted prices are available.

Significant accounting estimates, assumptions and judgements

Control Assessment

The directors determined that they jointly control the JV. The Group has a 50% interest of the issued capital of this entity, with the other 50% being owned by DST Co. Ltd and BHI Co. Ltd. Each of the shareholder groups has 2 Board members representing their interests, with decisions around the JV being made jointly.

Carrying value of interest in joint venture

Given the underlying nature of the assets held by the JV, being exploration and evaluation assets, management have, in accordance with AASB 6: *Exploration for Evaluation of Mineral Assets*, performed a review of impairment indicators on the Investment in JV which included a review of rights to tenure, future cash flows and progress regarding the KIGAM core access. The future recoverability of the exploration and evaluation projects is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

No impairment indicators existed at year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

10. INTEREST IN JOINT VENTURE (continued)

As a result of this assessment, the directors have determined that there is no impairment required as at 30 June 2018 (30 June 2017: \$ nil).

Summarised financial information

The tables below provide summarised financial information of the JV. The information disclosed below reflects the amounts presented in the financial statements of the relevant JV and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method including fair value adjustments and modifications for differences in accounting policy.

Summarised statement of financial position	2018 \$	2017 \$	Summarised statement of profit or loss and other comprehensive income	2018 \$	2017 \$
Total current assets	17,969	7,413	Revenue		
Total non-current assets	1,372,450	1,288,658	Interest income	9	5
Total current liabilities	(50,835)	(40,085)	Depreciation and amortisation	(147)	(2,301)
Total non-current liabilities	(1,074,005)	(682,793)	Interest expense	-	-
Net assets	265,580	573,193	Income tax expense	-	-
Reconciliation to carrying amounts			Loss from continuing operations	(334,938)	(203,849)
Closing net assets 30 June	573,192	796,194	Loss from discontinuing operations	-	-
Loss for the period	(334,938)	(203,849)	Loss for the period	(334,938)	(203,849)
Other comprehensive loss	27,326	(19,152)	Other comprehensive (loss)/gain	27,326	(19,152)
Closing net assets	265,580	573,193	Total comprehensive loss	(307,612)	(223,001)
Groups share in equity	50%	50%	Dividends received	-	-
Groups share	132,790	286,596			
Fair value uplift on acquisition	1,899,755	1,899,755			
Additional investment at cost	814,500	421,000			
Carrying amount	2,847,045	2,607,351			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

11. TRADE AND OTHER PAYABLES

	2018 \$	2017 \$
Trade payables	307,413	534,509
	307,413	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.

Refer to Note 18 for details of the risk exposure and management of the Group's trade and other receivables.

12. PROVISIONS

The current provision for employee benefits relate to annual leave which is provided for all employees of the Group in line with their employment contracts and the balance for the year ended 30 June 2018 is expected to be settled within 12 months. The measurement and recognition criteria relating to employee benefits have been included in Note 29(q) to this report.

	2018 \$	2017 \$
Employee benefits	1,268	21,644

13. BORROWINGS

	2018 \$	2017 \$
Convertible notes	-	897,162
Other borrowings	-	120,984
	-	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

13. BORROWINGS (continued)

A reconciliation of the convertible notes are as follows:

	Note	2018 \$	2017 \$
Face value of the notes issued		650,000	650,000
Fair value adjustment – issue of share capital ⁽¹⁾		278,571	230,209
Interest payable		20,515	16,953
Facility fee payable		-	39,060
Repayment of loans and interest – issue of share capital	15	(949,086)	-
Facility fee paid		-	(39,060)
		-	897,162

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

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.

Other borrowings

As at 30 June 2017, KORID Energy Co. Ltd has loaned from its operating partner, DST Co. Ltd (**DST**), \$120,984. The loans have been provided as part of the operating agreement. As part of the acquisition, DST are to fund the first three months of commercialisation and development activities, with Protean taking responsibility for the following three months at the same expenditure levels, thereafter the two parent companies will fund the development equally

Borrowings were unsecured and are accruing interest at fixed market rates, ranging between 4.6% and 6%, payable on repayment of the loan, which is repayable within 12 months of reporting date.

Due to the short-term nature of the borrowings, the fair value is not materially different to the carrying amounts.

The directors have determined that they have lost control of KORID Energy on 31 December 2017.

14. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2018 and 30 June 2017 on a recurring basis:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 June 2018				
Available for sale financial assets – Equity securities	1,899,226	-	-	1,899,226
As at 30 June 2017				
Available for sale financial assets – Equity securities	-	928,828	-	928,828
Convertible notes	897,162	-	-	897,162

There was a transfer between level 2 and level 1 for recurring fair value measurements during the year in relation to the equity instruments held in DST Co. Ltd (see Note 9). There were no other 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 – for the year ended 30 June 2017

On the 9 November 2016, DST was suspended from the KOSDAQ. The suspension was the result of DST failing to maintain all the criteria necessary to satisfy the KOSDAQ listing requirements.

On 28 February 2017, the Company advised it had entered into a share purchase agreement with a sophisticated Korean investor to sell 1,250,000 DST shares (pre a 10 for 1 share consolidation performed by DST on 30 March 2017) at a price of 350 KRW per share providing net proceeds of approximately \$500,000.

As a result of the trading halt and the significant decline in the share price from acquisition date to trading halt date the assets have been impaired. The assets have been impaired down to 350 KRW per share to reflect the value in the share purchase agreement.

Available for sale financial assets – equity securities – for the year ended 30 June 2018

After the period of suspension from the KOSDAQ, DST recommenced trading on 27 April 2018, following successful satisfaction of the KOSDAQ listing requirements. Following commencement of trading the fair value was by reference to the quote price of the instruments per KOSDAQ. The fair value of the equity holdings held in DST Co. Ltd is based on the quoted market prices from the KOSDAQ on 26 June 2018, being the last traded price prior to year end.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

15. ISSUED CAPITAL

(a) Issued capital

	2018 Shares	2017 Shares	2018 \$	2017 \$
Fully paid	304,312,341	44,982,884	34,918,095	29,807,643

Movements in ordinary share capital during the current and prior financial period are as follows:

Details	Date	Number of shares	Issue price/share \$	\$
Balance at 1 July 2016		1,070,477,653		28,975,566
Issue of shares on conversion of performance rights	26-Jul-16	5,000,000	-	-
Issue of shares on conversion of performance rights	26-Jul-16	9,000,000	-	-
Issue of settlement shares (Note 17)	26-Jul-16	40,000,000	-	182,084
KORID JV placement	19-Aug-16	14,032,198	0.0143	200,000
Issue of shares on conversion of performance rights	19-Aug-16	10,000,000	-	-
Share based payment Note 17) ⁽¹⁾	19-Aug-16	3,147,874	-	58,500
Share based payment (Note 17) ⁽¹⁾	7-Oct-16	1,871,376	-	22,500
Consideration shares (Note 17)	7-Mar-17	189,000,000	-	366,018
Issue of shares on conversion of performance rights	7-Mar-17	4,920,000	-	-
Share based payment (Note 17) ⁽¹⁾	7-Mar-17	2,060,071	-	22,500
Balance at 2 May 2017		1,349,509,172		29,827,168
Share consolidation 30:1		44,982,884		-
Less: Share issue costs				(19,525)
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	25-Jul-17	47,893,921	-	949,086
Issue of shares on conversion of performance rights	25-Jul-17	333,333	-	-
Share based payment (Note 17(c)) ⁽¹⁾	21-Aug-17	6,000,000	-	120,000
Issue of shares	2-Feb-18	40,000,000	0.025	1,000,000
Share based payment (Note 17(c)) ⁽¹⁾	2-Feb-18	2,400,000	-	60,000
Issue of shares on conversion of performance rights	2-Feb-18	150,000	-	-
Share based payment (Note 17(c)) ⁽²⁾	6-Jun-18	2,300,000	-	69,000
Issue of shares on conversion of performance rights	6-Jun-18	2,500,000	-	-
Share based payment (Note 17(c)) ⁽³⁾	19-Jun-18	312,500	-	12,500
Less: Share issue costs				(248,928)
Balance at 30 June 2018		304,312,341		34,918,095

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

² Share based payments have been made at fair value of services received for marketing and advertising.

³ Share based payments have been made at fair value of services received for geological services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

15. ISSUED CAPITAL (continued)

(b) Accumulated losses

	2018 \$	2017 \$
Balance at 1 July	(33,920,613)	(26,812,882)
Net loss attributable to owners of the Company	(3,669,481)	(7,107,731)
Balance at 30 June	(37,590,096)	(33,920,613)

(c) Reserves

The following table shows a breakdown of the reserves and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided.

	Note	2018 \$	2017 \$
Share based payments reserve			
Balance at 1 July		6,794,307	6,716,883
Performance rights expense – directors and employees	17(b)	(100,458)	77,424
Options expense – Director share options	17(a)	884,620	-
Options expense – Advisor share options	17(a)	1,094,134	
Balance at 30 June		8,672,604	6,794,307
Available for sale reserve			
Balance at 1 July		-	(53,768)
Movement during the period	9	913,373	53,768
Balance at 30 June		913,373	-
Foreign currency translation reserve			
Balance at 1 July		(13,100)	(10,422)
Currency translation differences arising during the year		68,878	(2,678)
Balance at 30 June		55,778	(13,100)
Total reserves		9,641,754	6,781,207

Share based payments reserve

The share based payments reserve is used to recognise: (a) the grant date fair value of options issued but not exercised; (b) the grant date fair value of market based performance rights granted to directors, employees, consultants and vendors but not yet vested; and (c) the fair value non-market based performance rights granted to directors, employees, consultants and vendors but not yet vested.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in Note 29(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

16. DIVIDENDS

No dividends have been declared or paid for the year ended 30 June 2018 (30 June 2017: nil).

17. 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 year were as follows:

	Note	2018 \$	2017 \$
As part of share based payment expense:			
Options issued	17(a)	1,978,754	-
Performance rights issued	17(b)	(100,458)	77,425
As part of research and development expense			
Shares issued		-	182,084
As part of administrative expense			
Shares issued	17(c)	201,500	103,500
Capitalised to the statement of financial position			
Shares issued		-	366,018
Recognised in equity as a capital raising cost			
Shares issued	17(c)	60,000	-
		2,139,797	729,027

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

(a) Share options

The Protean Energy Limited share options are used to reward Directors, employees, consultants and vendors for their performance and to align their remuneration with the creation of shareholder wealth through the performance requirements attached to the options. Options are granted at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The options are not listed and carry no dividend or voting right. Upon exercise, each option is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

Set out below are summaries of options granted:

	30 June 2018		30 June 2017	
	Average exercise price per option	Number of options	Average exercise price per option	Number of options
Opening balance	\$1.79	3,379,159	\$1.79	3,379,159
Granted during the period	\$0.037	85,000,000	-	-
Exercised during the period	-	-	-	-
Closing balance	\$0.10	88,379,159	\$1.79	3,379,159
Vested and exercisable	\$0.10	88,379,159	\$1.79	3,379,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

17. SHARE BASED PAYMENTS (continued)

	Grant date	Expiry date	Exercise price	30 June 2018 Number of options	30 June 2017 Number of options
(i)	30-Nov-15	30-Nov-18	\$1.125	283,332	283,332
(ii)	30-Nov-15	30-Nov-18	\$1.500	566,665	566,665
(iii)	30-Nov-15	30-Nov-18	\$1.875	850,000	850,000
(iv)	30-Nov-15	30-Nov-18	\$2.250	1,133,332	1,133,332
(v)	30-Nov-15	30-Nov-18	\$2.430	33,333	33,333
(vi)	22-Feb-16	31-Dec-18	\$1.130	400,000	400,000
(vii)	22-Feb-16	30-Nov-18	\$1.125	11,249	11,249
(viii)	22-Feb-16	30-Nov-18	\$1.500	22,499	22,499
(ix)	22-Feb-16	30-Nov-18	\$1.875	33,750	33,750
(x)	22-Feb-16	30-Nov-18	\$2.250	44,999	44,999
(xi)	08-May-18 ⁽¹⁾	30-Jun-21	\$0.037	38,000,000	-
(xii)	08-May-18 ⁽¹⁾	30-Jun-21	\$0.037	47,000,000	-
				88,379,159	3,379,159
Weighted average remaining contractual life of options outstanding at the end of the year:				2.90 years	1.43 years

¹ The securities were approved on the 8 May 2018 at the Company's General Meeting.

The fair value of option issued is measured by reference to the value of the goods or services received. The fair value of services received in return for share options granted to Directors and employees and consultants is measured by reference to the fair value of options granted. The fair value of services received by advisors couldn't be reliably measured and are therefore measured by reference to the fair value of the equity instruments granted. The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology. The life of the options including early exercise options are built into the option model. The fair value of the options are expensed over the expected vesting period.

The model inputs for options granted during the year and prior period included:

Series	Exercise price	Expiry (years)	Share price at grant date	Expected volatility ⁽¹⁾	Dividend yield	Risk free interest rate ⁽²⁾	Option value
(i)	\$1.125	3.00	\$0.57	140%	0%	2.30%	\$0.39
(ii)	\$1.500	3.00	\$0.57	140%	0%	2.30%	\$0.39
(iii)	\$1.875	3.00	\$0.57	140%	0%	2.30%	\$0.36
(iv)	\$2.250	3.00	\$0.57	140%	0%	2.30%	\$0.33
(v)	\$2.430	4.00	\$0.57	140%	0%	2.30%	\$0.39
(vi)	\$1.125	2.86	\$0.57	140%	0%	1.73%	\$0.39
(vii)	\$1.125	2.77	\$0.57	140%	0%	1.73%	\$0.39
(viii)	\$1.500	2.77	\$0.57	140%	0%	1.73%	\$0.39
(ix)	\$1.875	2.77	\$0.57	140%	0%	1.73%	\$0.36
(x)	\$2.250	2.77	\$0.57	140%	0%	1.73%	\$0.33
(xi)	\$0.037	3.15	\$0.034	117%	0%	2.15%	\$0.023
(xii)	\$0.037	3.15	\$0.034	117%	0%	2.15%	\$0.023

¹ The expected price volatility is based on historical volatility (based on the remaining life of the option), adjusted for any expected changes to future volatility due to publicly available information.

² Risk free rate of securities with comparable terms to maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

17. SHARE BASED PAYMENTS (continued)

The total expense arising from options issued during the reporting period as part of share based payments expense was as follows:

	2018 \$	2017 \$
Directors share options	884,620	-
Advisory options	1,094,134	-
	1,978,754	-

(b) Performance rights

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.

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 year is shown below:

Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Converted 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	166,666
30-Nov-15	25-Mar-20	-	700,000	-	(150,000)	(550,000)	-	-
30-Nov-15	06-Apr-20	-	733,333	-	-	(733,333)	-	-
22-Feb-16	22-Feb-21	-	150,000	-	-	-	150,000	100,000
22-Feb-16	22-Feb-21	-	3,333	-	-	(3,333)	-	-
22-Feb-16 ⁽¹⁾	22-Feb-19	-	4,000,000	-	-	-	4,000,000	-
26-Jul-16 ⁽²⁾	25-Jul-17	-	333,333	-	(333,333)	-	-	-
05-Dec-17 ⁽³⁾	05-Dec-20	-	-	2,500,000	(1,250,000)	-	1,250,000	-
06-Dec-17 ⁽³⁾	06-Dec-20	-	-	2,500,000	(1,250,000)	-	1,250,000	-
Total			6,086,665	5,000,000	(2,983,333)	(1,286,666)	6,816,666	266,666

1 Management note that subsequent to year end, on the 27 August 2018, the Company finalised the sale of the WEC Technology. As a result, performance rights granted to SMVG that have not met their performance hurdles at year end are not expected to vest. The Company has adjusted the share based payment expense recognised during the 2018 year to account for the reversal of these performance rights.

2 Performance rights issued to Mr Rogers.

3 Performance rights granted to employees and consultants.

The weighted average remaining contractual life of performance rights outstanding at 30 June 2018 was 1.35 years (30 June 2017: 1.85 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

17. SHARE BASED PAYMENTS (continued)

Key inputs used in the fair value calculation of the performance rights which have been granted during the year ended 30 June 2018 were as follows:

Number Granted	Exercise price	Expected vesting dates	Expiry date	Share price at grant date	Fair value per performance right	Total fair value
Grant date: 5 Dec 2017 ⁽¹⁾						
2,500,000	\$ -	04-Jun-18 to 31-Jul-18	5-Dec-20	\$0.023	\$0.023	\$57,500
Grant date: 6 Dec 2017 ⁽¹⁾						
2,500,000	\$ -	05-Jun-18 to 31-Jul-18	6-Dec-20	\$0.023	\$0.023	\$57,500

- 1 Performance rights have been split equally into 4 tranches with a 6-month service condition and the following performance hurdles:
Tranche 1: Completion of a core orientation study to compare vanadium and uranium wet assay data from the 2013 drilling campaign to pXRF assay data in order to establish a viable correlation in advance of a program to analyse core held by KIGAM.
Tranche 2: Completion of a program to analyse relevant section of 36,000 meters of core held by KIGAM.
Tranche 3: Completion of a resource update (Uranium & Vanadium) to JORC 2012 compliant standard.
Tranche 4: Delineation of a JORC 2012 Vanadium resource of not less than 100mlbs@ 2500ppm V2Os.

Management note that subsequent to year end, on the 27 August 2018, the Company finalised the sale of the WEC Technology. As a result, performance rights granted to SMVG that have not met their performance hurdles at year end are not expected to vest. The Company has adjusted the share based payment expense recognised during the 2018 year to account for the reversal of these performance rights.

As at 30 June 2018, management believe that all other performance and service hurdles will be met and accordingly have recognised a share based payment expense over the respective vesting periods.

The total director, employee and consultant share performance rights expensed expense arising from performance rights recognised during the reporting period as part of share based payment expense were as follows:

	2018 \$	2017 \$
Performance rights granted during prior periods	41,805	122,934
Reversal of performance rights expense	(249,758)	(185,207)
Performance rights granted during the year	107,495	139,698
	(100,458)	77,425

(c) Share capital to vendors

During the financial year:

- On 21 August 2017, 3,000,000 shares issued to Advantage Management Trust in consideration for broker 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 (excluding GST). This amount has been recognised in the Statement of Profit or Loss under administrative expense;
- On 21 August 2017, 3,000,000 shares issued to CPS Capital Investments Pty Ltd in consideration for broker 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 (excluding GST). This amount has been recognised in the Statement of Profit or Loss under administrative expense;
- On 2 February 2018, 420,000 shares were issued to The Celtic Capital Trust in consideration for advisory 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 \$10,500 (excluding GST). This amount has been recognised in the Statement of Financial Position under capital raising cost;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

17. SHARE BASED PAYMENTS (continued)

- On 2 February 2018, 360,000 shares were issued to CPS Capital Investments Pty Ltd in consideration for advisory 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 \$9,000 (excluding GST). This amount has been recognised in the Statement of Financial Position under capital raising cost;
- On 2 February 2018, 420,000 shares were issued to Brocop Group Pty Ltd in consideration for advisory 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 \$10,500 (excluding GST). This amount has been recognised in the Statement of Financial Position under capital raising cost;
- On 2 February 2018, 1,200,000 shares were issued to Advantage Management Trust in consideration for advisory 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 \$30,000 (excluding GST). This amount has been recognised in the Statement of Financial Position under capital raising cost;
- On 6 June 2018, 2,300,000 shares were issued to S3 Consortium Pty Ltd in consideration for advertising and marketing costs. 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 \$69,000 (excluding GST). This amount has been recognised in the Statement of Profit or Loss under administrative expense; and
- On 19 June 2018, 312,500 shares were issued to The Tah Nean Chan Superannuation Fund in consideration for exploration services. 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 \$12,500. This amount has been recognised in the Statement of Profit or Loss under administrative expense.

Significant accounting estimates, assumptions and judgements

Estimation of fair value of share based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes or Monte-Carlo model taking into account the assumptions detailed within this note.

Probability of vesting conditions being achieved

Inputs to pricing models may require an estimation of reasonable expectations about achievement of future vesting conditions. Vesting conditions must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of the entity, under a share based payment arrangement.

Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specified performance targets to be met (such as a specified Increase in the entity's profit over a specified period of time) or completion of performance hurdles.

The Company recognises an amount for the goods or services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested.

The achievement of future vesting conditions are reassessed each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

18. FINANCIAL AND CAPITAL RISK MANAGEMENT

Overview

The financial risks that arise during the normal course of the Group's operations comprise market risk, credit risk and liquidity risk. In managing financial risk, it is policy to seek a balance between the potential adverse effects of financial risks on financial performance and position, and the "upside" potential made possible by exposure to these risks and by taking into account the costs and expected benefits of the various risk management methods available to manage them.

General objectives, policies and processes

The Board is responsible for approving policies on risk oversight and management and ensuring management has developed and implemented effective risk management and internal control. The Board receives reports as required from the Managing Director in which they review the effectiveness of the processes implemented and the appropriateness of the objectives and policies it sets. The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced.

These disclosures are not, nor are they intended to be an exhaustive list of risks to which the Group is exposed.

Financial Instruments

The Group has the following financial instruments:

	2018 \$	2017 \$
Financial assets		
Cash and cash equivalents	2,419,879	167,216
Trade and other receivables	62,310	78,127
Available for sale asset	1,899,226	928,828
	4,381,415	1,174,171
Financial liabilities		
Trade and other payables	307,413	534,509
Borrowings	-	1,018,146
	307,413	1,552,655

(a) Market Risk

Market risk can arise from the Group's use of interest bearing financial instruments, foreign currency financial instruments and equity security instruments and exposure to commodity prices. It is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rate (currency risk), equity securities price risk (price risk) and fluctuations in commodity prices (commodity price risk).

(i) Interest rate risk

The Board manages the Group's exposure to interest rate risk by regularly assessing exposure, taking into account funding requirements and selecting appropriate instruments to manage its exposure. As at the 30 June 2018, the Group has interest-bearing assets, being cash at bank (30 June 2017 cash at bank and interest-bearing liabilities).

As such, the Group's income and operating cash flows is not highly dependent on material changes in market interest rates.

Sensitivity analysis

The Group does not consider this to be a material risk/exposure to the Group and have therefore not undertaken any further analysis.

The weighted average effective interest rate of funds on deposit is 1.70% (30 June 2017: 0.0%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

18. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

(ii) Currency risk

The Group operates in South Korea and maintains a corporate listing in Australia. As a result of various operating locations, the Group is exposed to foreign exchange risk arising from fluctuations, primarily in the Korean Won (KRW).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency. The Group manages risk by matching receipts and payments in the same currency and monitoring movements in exchange rates. The exposure to risks is measured using sensitivity analysis and cash flow forecasting.

Sensitivity analysis

As shown in the table above, the Group is primarily exposed to changes in KRW/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from KRW denominated financial instruments.

The Group's exposure to foreign currency risk at year end, expressed in Australian dollars, was as follows:

	2018 KRW \$	2017 KRW \$
Financial assets		
Cash	-	3,660
Trade and other receivables	-	49,025
Available for sale asset	1,899,226	928,828
Financial liabilities		
Trade and other payables	-	129,127

	Impact on pre-tax loss		Impact on other components of equity	
	2018 \$	2017 \$	2018 \$	2017 \$
KRW/AUD exchange rate – increase 5% ⁽¹⁾	94,961	42,619	94,961	42,619
KRW/AUD exchange rate – decrease 5% ⁽¹⁾	(94,961)	(42,619)	(94,961)	(42,619)

1 Assumes all other variables are held constant.

The Group's exposure to other foreign exchange movements is not considered significant.

(iii) Price risk

The Group's only equity investments are publicly traded on the KOSDAQ.

To manage its price risk arising from investments in equity securities, management monitors the price movements of the investment and ensures that the investment risk falls within the Group's framework for risk management.

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the statement of financial position as available for sale (Note 9).

Sensitivity analysis

The table below summarises the impact of increases/decreases of the share price on the Group's equity and pre-tax loss for the period. The analysis is based on the assumption that the share price noted in the share purchase agreement had increased by 10% or decreased by 10% with all other variables held constant.

	Impact on pre-tax loss		Impact on other components of equity	
	2018 \$	2017 \$	2018 \$	2017 \$
KOSDAQ increase 10%	-	-	189,923	92,882
KOSDAQ decrease 10%	-	-	(189,923)	(92,882)

Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

18. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

The amounts recognised in other comprehensive income in relation to the investment held by the Group are disclosed in Note 9.

(iv) Commodity price risk

As the Group has not yet entered into mineral or energy production, the risk exposure to changes in commodity price is not considered significant.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with financial institutions, as well as trade receivables. Credit risk is managed on a Group basis. For cash balances held with bank or financial institutions, only independently rated parties with a minimum rating of 'AA' are accepted.

The Board are of the opinion that the credit risk arising as a result of the concentration of the Group's assets is more than offset by the potential benefits gained.

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets as summarised, none of which are impaired or past due.

Exposure to credit risk

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

	2018 \$	2017 \$
Cash and cash equivalents	2,419,879	167,216
Other receivables	62,310	78,127
	2,482,189	245,343

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	2018 \$	2017 \$
Cash at bank and short-term deposits		
<i>Held with Australian banks and financial institutions</i>		
AA- S&P rating	2,419,787	163,483
A+ S&P rating	-	3,643
Unrated	92	90
Total	2,419,879	167,216
Other receivables		
<i>Counterparties with external credit ratings</i>	50,673	23,700
<i>Counterparties without external credit ratings⁽¹⁾</i>		
Group 1	-	-
Group 2	11,637	54,427
Group 3	-	-
Total	62,310	78,127

¹ Group 1 — new customers (less than 6 months)

Group 2 — existing customers (more than 6 months) with no defaults in the past

Group 3 — existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

18. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation. Through continuous monitoring of forecast and actual cash flows the Group manages liquidity risk by maintaining adequate reserves to meet future cash needs. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months \$	6 - 12 months \$	1 - 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount of liabilities \$
At 30 June 2018						
Trade and other payables	307,413	-	-	-	307,413	307,4313
At 30 June 2017						
Trade and other payables	534,509	-	-	-	534,509	534,509
Borrowings ⁽¹⁾	1,018,146	-	-	-	1,018,146	1,018,146

1 Settlement of the convertible notes, included within the borrowings figure, was completed with equity during the year ended 30 June 2018.

(d) Capital risk management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern. This is to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board monitors capital on an ad-hoc basis. No formal targets are in place for return on capital, or gearing ratios, as the Group has not derived any income from operations.

19. LOSS PER SHARE

	2018	2017
Basic and diluted loss per share		
Net loss after tax attributable to the members of the Company	\$ (3,669,481)	\$ (7,107,731)
Weighted average number of ordinary shares	259,286,454	40,239,205
Basic and diluted loss per share (cents)	(1.42)	(17.66)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

20. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This Note provides an overview of the areas that involved a higher degree of judgement or complexity and items which are more likely to be materially adjusted. Detailed information about each of these estimates and judgements is included in the Notes together with information about the basis of calculation for each affected line item in the financial statements.

Significant accounting estimates and judgements

The areas involving significant estimates or judgements are:

- Recognition of deferred tax asset for carried forward tax losses — Note 3;
- Control assessment — Note 4;
- Investment in Associate — significant influence position — Note 4;
- Estimate of useful life — Note 7;
- Impairment of assets — Note 7;
- Available for use patents, rights and licenses — Note 8;
- Asset acquisition not constituting a business combination — Note 4 and Note 8;
- Fair value of assets acquisition — Note 4 and Note 8;
- Impairment indicators for available for sale assets — Note 9;
- Fair value of available for sale assets — Note 9;
- Classification of available for sale assets — Note 9;
- Carrying value of interest in Joint Venture — Note 10;
- Control assessment — Note 10;
- Probability of vesting conditions being achieved— Note 17; and
- Estimation of fair value of share based payments — Note 17.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

There have been no actual adjustments this year as a result of an error and of changes to previous estimates.

21. COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as a liability is as follows:

	2018 \$	2017 \$
Within one year	150,195	603,593 ⁽¹⁾
Later than one year but no later than five years	-	-
Later than five years	-	-
	150,195	603,593

¹ Commitment under the JV agreement and working capital funding for KORID Energy Co, Ltd.

Stonehenge Korea Inc.

The Company also has an interest in vanadium and uranium exploration projects in Korea via a 50% ownership position in Stonehenge Korea Inc. The Company executed formal joint venture documentation with DST for the sale of 50% of Stonehenge Korea Inc. to DST (**JV**) on 28 July 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

22. COMMITMENTS (continued)

The Company was 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 spend up to \$800,000 during Stage 1 of the JV. As at 30 June 2018, the Group had already contributed \$814,500 towards Stage 1, see Note 10.

KORID Energy Co. Ltd

Funding of the working capital will occur as follows, DST will fund the first three months of commercialisation and development activities, with Protean taking responsibility for the following three months at the same expenditure levels, thereafter the two parent companies will fund the development equally. As at 30 June 2018 KORID Energy has spent \$300,390 in working capital, the Group had not yet made any contributions towards the working capital.

22. RELATED PARTY TRANSACTIONS

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key management personnel compensation

	2018 \$	2017 \$
Short-term employee benefits	322,687	419,601
Post-employment benefits	24,995	22,500
Termination	-	81,944
Long-term benefits	-	-
Share based payments	894,922	155,431
	1,242,604	679,476

Detailed remuneration disclosures are provided within the remuneration report.

Parent entity

The ultimate parent entity and ultimate controlling party is Protean Energy Limited (incorporated in Australia).

Subsidiaries

Interests in subsidiaries are set out in Note 26.

Transactions with related parties

During the year the following related party transactions took place:

- Mr Young Yu, Non-Executive Director, is a director of JLC Corporation Pty Ltd, which received Mr Yu's director and consulting fees during the year. At year end the Company had an outstanding payable balance of \$8,800 (30 June 2017: \$ 62,700).
- Mr Bevan Tarratt, Executive Chairman, is a trustee of Blackfriar Unit Trust which received Mr Tarratt's consulting fees during the prior year. At year end the Company had no outstanding balance payable (30 June 2017: \$61,600).
- Mr David Wheeler, Non-Executive Director, is a director of Pathways Corporate Pty Ltd which received Mr Wheeler's director fees during the year. At year end the Company had no outstanding balance payable (30 June 2017: \$4,500).
- Mr Wayne Loxton, Executive Director, is a director of Atlantic Consulting Pty Ltd which is owed some of Mr Wheeler's director fees. At year end the Company had an outstanding accrued balance of \$1,500.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

22. RELATED PARTY TRANSACTIONS (continued)

Share based payments

During the year:

- Mr Tarratt was granted 8,750,000 options; and
- Mr Loxton, Mr Yu and Mr Wheeler were each granted 9,750,000 options.

Details of the valuation pertaining to the above-mentioned equity instruments are set out in Note 17.

There were no other related party transactions during the period.

23. CONTINGENCIES

The Group has no contingent assets or liabilities as at 30 June 2018 (30 June 2017: nil).

24. EVENTS SUBSEQUENT TO END OF THE REPORTING PERIOD

Subsequent to the Period on 4 July 2018 the Company announced that an interim Mineral Resource Estimation had been completed based on the results of the Phase 1 assaying program. The interim resource was estimated across approximately 40% of the known Daejon mineralisation and represents a significant increase to the existing vanadium 2013 mineral resource.

On 26 July 2018 the Company advised it has reached agreement with the KIGAM to undertake a joint project focused on maximising vanadium recoveries from Protean's Daejon Project mineralisation. In addition, Protean's 50% owned Korean subsidiary, Stonehenge Korea Limited (**SHK**) acquired the rights to the significant body of intellectual property held by KIGAM in relation to the pilot plant located at KIGAM. KIGAM and the Company have agreed to share all historical metallurgical and processing testing data in an effort to optimise the processing approach for recovery of vanadium and the production of a high purity V2O5 end product

On 22 August 2018 the Company advised an update on its 25kW/100kWh V-KOR vanadium battery deployment at the OzLinc Industries site in O'Connor in Perth, Western Australia. The Company advised that local network operator (Western Power) had provided approval for the battery to be connected to the network. The deployment will be used to demonstrate the V-KOR vanadium battery capability to future customers, and to collect data to help refine product configurations for grid connected batteries.

In addition, on 27 August 2018 the Company advised it had signed a binding term sheet with PEARL Clean Energy Pty Ltd whereby PEARL will acquire the Wave Energy Converter technology assets (WEC Assets). PEARL will acquire 100% of the WEC Assets in consideration for spending a minimum \$700,000 within the first five years from the date of the agreement and paying a 1.5% royalty on all future revenue generated from the WEC Assets during the first ten years from signing the agreement.

On 13 August 2018 the Company announced the appointment of Mr Scott Davis to assist the acceleration of the Company's battery development and commercialisation program.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

25. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Note	2018 \$	2017 \$
Loss for the period		(3,669,483)	(7,228,171)
Add/(less) non-cash items:			
Depreciation and amortisation	1	8,446	881,802
Impairment of available for sale asset	9	-	1,445,819
Impairment of WEC Technology asset		-	2,712,118
Share based payments – Directors, employees and consultants	17	784,162	77,425
Share based payments – Advisory options	17(a)	1,094,135	-
Share based payments in lieu of compliance service fees	17(c)	201,500	103,500
Share based payment – Research and Development expense	17	-	182,084
Share of net loss of joint venture	10	167,469	101,925
Loss on deconsolidation of subsidiary	4	204,381	-
Share of net loss of associate accounted using the equity method	4	37,577	-
Unrealised foreign exchange loss		-	25,885
Gain on sale of subsidiary		-	-
Finance costs	14	51,924	247,162
Net cash outflow from deconsolidation of subsidiary		(172,659)	-
Changes in assets and liabilities during the financial year:			
Decrease/(increase) in receivables		(39,459)	82,076
Increase/(decrease) in payables		(86,121)	(486,768)
Increase/(decrease) in employee provision		(9,574)	20,638
Net cash outflow from operating activities		(1,427,703)	(1,834,505)

(a) Non-cash investing and financing activities

	2018 \$	2017 \$
Acquisition of KORID Energy Co. Ltd (see Note 4)	-	366,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

26. INTEREST IN OTHER ENTITIES

(a) Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 29(a):

Name of entity	Country of incorporation	2018 Equity holding	2017 Equity holding
SK Energy Metals Pty Ltd ⁽¹⁾	Australia	100%	100%
Ginja Minerals Pty Ltd ⁽²⁾	Australia	100%	100%
Protean Wave Energy Inc. ⁽³⁾	United States	-	100%
Protean Power Pty Ltd ⁽⁴⁾	Australia	99.79%	99.79%
Protean Energy Australia Pty Ltd ⁽⁵⁾	Australia	100%	100%
KORID Energy Ltd ⁽⁶⁾	Korea	-	50%

1 Holding company of Stonehenge Korea Inc.

2 Dormant subsidiary.

3 Incorporated on 24 March 2015 and divested on 16 March 2018.

4 Subsidiary acquired on 20 August 2015.

5 Subsidiary acquired on 25 February 2016 and is the holder of the rights and trademarks to the Protean WEC Technology.

6 Subsidiary acquired 7 March 2017 and deconsolidated 31 December 2017.

(b) Non-controlling interests

The Group did not have any material non-controlling interests during current financial year. Set out below is summarised financial information for each subsidiary that has a non-controlling interest that is material to the Group, during the prior year. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised statement of financial position	2017 \$
Total current assets	10,654
Total current liabilities	(260,913)
Current net assets	(250,259)
Total non-current assets	741,415
Total non-current liabilities	-
Non-current net assets	741,415
Net assets	491,156
Accumulated NCI	366,018

Summarised statement of comprehensive income	2017 \$
Revenue	-
Loss for the period	(240,881)
Other comprehensive income	3,621
Total comprehensive loss	(237,260)
Loss allocated to NCI	(118,630)

Summarised cash flows	2017 \$
Cashflows from operating activities	(101,330)
Cashflows from investing activities	59,255
Cashflows from operating activities	-
Net decrease in cash and cash equivalents	(42,075)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

27. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related parties and non-related audit firms:

	2018 \$	2017 \$
(a) BDO Australia		
<i>Audit and assurance services</i>		
BDO Audit (WA) Pty Ltd		
Audit and review of financial statements	40,605	67,315
<i>Taxation services</i>		
BDO Corporate Tax (WA) Pty Ltd		
Tax compliance services	3,030	9,840
International tax consulting and tax advice	4,590	6,630
Total remuneration for taxation services	7,620	16,470
Total remuneration for BDO Australia	48,225	83,785

From time to time the Consolidated Entity may decide to employ an external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity are important. These assignments are principally tax advice and due diligence on acquisitions, which are awarded on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects. The Board is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

28. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Protean Energy Limited as at 30 June 2018. The information presented here has been prepared using consistent accounting policies as presented in Note 29.

(a) Summary of financial information

The individual aggregate financial information for the parent entity is shown in the table.

(b) Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 30 June 2018 or 30 June 2017.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

(d) Contractual commitments for the acquisition of property, plant and equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2018 or 30 June 2017.

	Company	
	2018 \$	2017 \$
Financial position		
Current assets	2,482,189	198,248
Total assets	4,246,506	1,318,466
Current liabilities	308,359	1,313,064
Total liabilities	308,359	1,313,064
Equity		
Contributed equity	34,918,095	29,807,643
Reserves	8,672,604	6,794,307
Accumulated losses	(39,652,552)	(36,398,320)
Total equity	3,938,147	203,630
Financial performance		
Loss for the year	(3,254,232)	(9,521,372)
Total comprehensive loss	(3,254,232)	(9,521,372)

29. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Protean Energy Limited (**Company** or **Protean**) is a company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. Protean Energy Limited is the ultimate parent entity of the Group.

The consolidated financial statements of Protean Energy Limited for the year ended 30 June 2018 comprise the Company and its controlled subsidiaries (together referred to as the **Group** and individually as **Group entities**).

Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Group Interpretations and the *Corporations Act 2001*. Protean Energy Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Critical accounting estimates and significant judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within Note 20.

New and amended standards adopted by the Group

The Group has adopted all of the new and revised Standards and interpretations issued by the AASB that are relevant to their operations and effective for the current annual reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the first time for the annual reporting period commencing 1 July 2014 that are relevant to the Group include:

- AASB 2013-3 Amendment to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets; and
- AASB 2014-1 Amendments to Australian Accounting Standards.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported

for the current or prior years. However, the above standards have affected the disclosures in the notes to the financial statements.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* (AASB 9) addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013 it also sets out new rules for hedge accounting.

There may be a change to the Group's accounting for available for sale financial assets dependent on the accounting treatment elected on adoption. Under AASB 9, fair value movements, including gains and losses on disposal shall be recognised through profit or loss, unless the irrevocable election is adopted to recognise these movements in other comprehensive income.

There is 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.

AASB 9 has been adopted from 1 July 2018.

AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

There will be no impact on the Group's accounting as currently the Group does not have any contract with customers.

AASB 15 has been adopted from 1 July 2018.

New standards and interpretations not yet adopted

AASB 16 Leases

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity be required to recognise a lease liability and a right of use asset in its balance sheet for most

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.

Lessor accounting remains largely unchanged from AASB 117.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting period and in the foreseeable future.

Accounting policies

In order to assist in the understanding of the financial statements, the following summary explains the principle accounting policies that have been adopted in the preparation of the financial report. These policies have been applied consistently to all of the periods presented, unless otherwise stated.

(a) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of subsidiaries of the Company at the end of the reporting period. Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Where a subsidiary has entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of subsidiaries is contained in Note 26 to the financial statements.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 29(h).

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Protean Energy Limited.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(b) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker, which has been identified by the company as the Board.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Protean Energy Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities at the reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

No dividends were paid or proposed during the year.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Revenue Recognition

Revenue is measured as the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured it is probable that future economic benefits will flow to the entity.

Revenue for other business activities is recognised on the following basis:

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(e) Income Tax and Other Taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Protean Energy Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) Exploration and evaluation expenditure

The Group expenses exploration and evaluation expenditure as incurred in respect of each identifiable area of interest until a time where an asset is in development.

Exploration and Evaluation expenditure

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area as well as the determination of the technical feasibility and commercial viability of extracting mineral resource.

Exploration and evaluation expenditure is expensed to the profit or loss as incurred except when existence of a commercially viable oil and/or gas reserve has been established and it is

anticipated that future economic benefits are more likely than not to be generated as a result of the expenditure.

(h) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's values in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

As assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had the impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(i) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, cash in bank accounts, money market investments readily convertible to cash within two working days, and bank bills but net of outstanding bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(j) Trade and Other Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months.

(k) Investments and other financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivable are included in trade and other receivables in the statement of financial position.

Available for sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available for sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(i) Recognition and de-recognition

Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available for sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(ii) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available for sale financial assets are subsequently carried at fair value.

(iii) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets classified as available for sale

If there is objective evidence of impairment for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available for sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(l) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

The depreciation methods and periods used by the group are disclosed in Note 7.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(m) Acquisition of assets

Where an entity or operation is acquired, the identifiable assets acquired (and, where applicable, identifiable liabilities assumed) are to be measured at the acquisition date at their relative fair values of the purchase consideration.

Where the acquisition is a group of assets or net assets, the cost of acquisition will be apportioned to the individual assets acquired (and, where applicable, liabilities assumed). Where a group of assets acquired does not form an entity or operation, the cost of acquisition is apportioned to each asset in proportion to the fair values of the assets as at the acquisition date.

(n) Intangible Assets

(i) Trademarks, licences and patents

Separately acquired trademarks, licences and patents are shown at historical cost. Trademarks, licenses and customer contracts acquired are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Separately acquired trademarks, licences and patents are available for use when acquired.

(ii) Research and development

Research expenditure and development expenditure that do not meet the criteria in (i) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iii) Amortisation methods and periods

Refer to Note 8 for details about amortisation methods and periods used by the Group for intangible assets.

(o) Share Based Payment Transactions

Benefits to Employees and consultants (including Directors)

The Group provides benefits to employees and consultants (including directors) of the Group in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares or options ("equity-settled transactions").

The costs of these equity settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of performance rights granted is determined using the single barrier share option pricing model. The fair value of options granted is determined by using the Black-Scholes option pricing technique. Further details of options and performance rights granted are disclosed in Note 17.

The cost of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period).

At each subsequent reporting date until vesting, the cumulative charge to the profit or loss is the product of: (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded are contingent and will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is valued as if it will vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

Benefits to Vendors

The Group provides benefits to vendors of the Group in the form of share based payment transactions, whereby the vendor has render services in exchange for shares or rights over shares or options ("equity-settled transactions").

The fair value is measured by reference to the value of the goods or services received. If these cannot be reliably measured, then by reference to the fair value of the equity instruments granted.

The cost of these equity-settled transactions is recognised over the period in which the service was received.

(p) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximately their fair value due to their short-term nature. The fair value of financial liabilities for

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(q) Employee Entitlements

The Group's liability for employee entitlements arising from services rendered by employees to reporting date is recognised in other payables. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled within one year, have been measured at their nominal amount and include related on-costs.

(r) Loss per share

Basic loss per share

Basic earnings per share is determined by dividing the operating loss attributable to the equity holder of the Group after income tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will arise from the exercise of options outstanding during the year.

(s) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

(t) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(u) Dividends

No dividends were paid or proposed during the year.

(v) Comparatives

Comparative figures have been restated to conform with the current year's presentation. This has had no impact on the financial statements.

(w) Parent entity financial information

The financial information for the parent entity, Protean Energy Limited, disclosed in Note 28 has been prepared on the same basis as the consolidated financial statements except as set out below:

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost and subject to an annual impairment review.

DIRECTORS' DECLARATION

The Directors of the Group declare that:

1. The financial statements, comprising the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, 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) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated entity.
2. In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. The Group has included in the notes to the financial statements and explicit an unreserved statement of compliance with International Financial Reporting Standards.
4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Bevan Tarratt

Non-Executive Director

Perth, Western Australia

31 August 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Protean Energy Limited

Report on the Audit of the Financial Report

Qualified opinion

We have audited the financial report of Protean Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, 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 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for qualified opinion

Deconsolidation of KORID Energy Co. Ltd

As noted in note 4 to the 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 \$204,381 being included in the consolidated statement of profit or loss for the year ended 30 June 2018. 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 4 to the financial report, and the classifications of operating, investing and financing activities in the consolidated statement of cash flows. Our opinion has been modified accordingly.

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 *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 qualified opinion.

Key audit matters

Carrying value of investment in joint venture

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in note 10 of the financial report, the carrying value of the investment in joint venture represents a significant asset of the Group.</p> <p>The Group's policy for accounting for the investment in joint venture and significant judgements applied in the determination of the assets carrying value are disclosed in notes 10 and 29(a) of the financial report.</p> <p>Given the underlying assets held by the investment in joint venture relate to exploration and evaluation assets, management have undertaken a review of impairment indicators in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> (AASB 6) to determine whether there are any indicators to suggest that the investment in joint venture could be impaired.</p> <p>Due to the quantum of this asset and the subjectivity involved in determining whether its carrying value will be recovered through successful development or sale of its exploration and evaluation assets, we have determined this to be a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none">• Confirming whether the rights to tenure of the areas of interest remained current at balance date;• Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cash flow budget for the level of budgeted spend on exploration projects;• Considering whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;• Considering whether there are any other facts or circumstances that existed to indicate impairment testing was required; and• Assessing the adequacy of the related disclosures in notes 10 and 29(a) of the financial report.

Accounting for share-based payments

Key audit matter	How the matter was addressed in our audit
<p>During the financial year ended 30 June 2018, the Group issued ordinary shares, options and performance rights to employees, consultants, vendors and key management personnel, which have been accounted for as share-based payments, as disclosed in note 17 of the financial report.</p> <p>The Group's policy for accounting for share-based payments and significant judgements applied to these arrangements are disclosed in notes 17 and 29(o) of the financial report.</p> <p>Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of share-based payments, we consider the Group's accounting for share-based payments to be a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Reviewing the relevant agreements to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements; • Holding discussions with management to understand the share-based payment transactions in place; • Reviewing management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation approaches used and assessing the valuation inputs; • Involving our valuation specialists to assess the reasonableness of management's valuation inputs, where necessary; • Assessing the allocation of the share-based payment expense over the relevant vesting period; and • Assessing the adequacy of the related disclosures in notes 17 and 29(o) of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 has 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 (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 19 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Protean Energy Limited, for the year ended 30 June 2018, 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.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'J Prue', is written over a faint, light blue BDO logo.

Jarrad Prue

Director

Perth, 31 August 2018

For personal use only

ADDITIONAL INFORMATION

Information as at 27 August 2018

(a) Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 – 1,000	703
1,001 – 5,000	489
5,001 – 10,000	155
10,001 – 100,000	778
100,001 – and over	418
Total	2,543

The number of shareholdings held in less than marketable parcels is 1,449.

(b) Voting rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

There are no voting rights attached to any class of options that are on issue.

Performance Shares

There are no voting rights attached to any class of Performance Shares that are on issue.

(c) 20 Largest Shareholders — Ordinary Shares as at 27 August 2018

Rank	Name	Ordinary Shares Held	% of Issued Capital
1	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	9,338,297	3.07
2	SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY S/FUND A/C>	9,191,251	3.02
3	COSSACK HOLDINGS (AUST) PTY LTD ATF LOXTON SUPER FUND	7,000,495	2.30
4	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	7,000,000	2.30
5	DST COMPANY LIMITED	6,300,000	2.07
6	HARNAT NOMINEES PTY LTD	4,000,000	1.31
6	CONCANNON CAPITAL PTY LTD	4,000,000	1.31
6	ONE MANAGED INVESTMENT FUNDS LIMITED <TI GROWTH A/C>	4,000,000	1.31
7	NICK MARTIN SUPERANNUATION PTY LTD ATF NICK MARTIN SUPER	3,650,000	1.20
8	ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C>	3,550,000	1.17
9	SCINTILLA STRATEGIC INVESTMENTS LIMITED	3,500,000	1.15
9	MR BIN LIU	3,500,000	1.15
10	SISU INTERNATIONAL PTY LTD	3,400,000	1.12
11	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	3,344,585	1.10
12	JLC CORPORATION PTY LTD	3,146,722	1.03
13	REDHILL HOLDINGS LTD	3,000,000	0.99
14	CELTIC CAPITAL PTY LTD <CELTIC CAPITAL NO 2 A/C>	2,826,073	0.93
15	LITTLEJOHN EMBREY ENGINEERING PTY LTD	2,650,000	0.87
16	RICHSHAM NOMINEES PTY LTD	2,500,000	0.82
16	WILBERFORCE PTY LTD	2,500,000	0.82
17	WILLIAM TAYLOR NOMINEES PTY LTD	2,360,489	0.78
18	S3 CONSORTIUM PTY LTD	2,300,000	0.76
18	AGENS PTY LTD <THE MARK COLLINS S/F A/C>	2,300,000	0.76
18	MR MARTIN JAMES HICKLING & MRS JANE FRANCES HICKLING <M & J HICKLING SUPER A/C>	2,300,000	0.76
19	MR PETER TAKIS GRIGORIADIS	2,223,349	0.73
20	MISS ELIZABETH ANNE MCCREADIE	2,143,099	0.70

ADDITIONAL INFORMATION

Total	102,024,360	33.53
Balance of register	202,287,981	66.47
Grand total	304,312,341	100.00

(d) Unquoted Securities – as at 27 August 2018

Set out below are the classes of unquoted securities currently on issue:

Number	Class
294,581	Options exercisable at \$1.125 on or before 30/11/2018
5,223,637	Options exercisable at \$1.125 on or before 31/12/2018
589,164	Options exercisable at \$1.50 on or before 30/11/2018
883,750	Options exercisable at \$1.875 on or before 30/11/2018
1,178,331	Options exercisable at \$2.25 on or before 30/11/2018
33,333	Options exercisable at \$2.43 on or before 30/11/2018
85,000,000	Options exercisable at 3.7¢ on or before 30/06/2021
3,999,996	Class A Performance Shares subject to vesting conditions
716,000	Class B Performance Rights subject to vesting conditions
550,000	Class C Performance Rights subject to vesting conditions
316,666	Class D Performance Rights subject to vesting conditions
2,500,000	Class E Performance Rights subject to vesting conditions

(e) Securities Subject to Escrow

No securities are currently subject to any escrow provisions.

(f) ASX Listing Rule 4.10.19 Confirmation

Pursuant to ASX Listing Rule 4.10.19 the Company confirms that from the period of reinstatement of 29 February 2016 to 30 June 2018 the Company used its cash and assets in a form readily convertible into cash, in line with its stated business objectives.

ADDITIONAL INFORMATION

Korean Tenement Schedule (held directly by SK Energy Metals Pty Ltd – 50% owned by Stonehenge Korea Inc)

Tenement Name	ID	Registration No.	Registration Date	Area (ha)	Mineral
Gwesan	137	79161	12/01/2011	275	Uranium, Vanadium
Gwesan Group	various	various	various	2,200	Uranium
Miwon Group	various	various	various	1,656	Uranium
Daejeon Group	various	various	various	2,282	Uranium

Gwesan Group – detailed information

Gwesan Group includes Gwesan -125, -115, -124, -117, -118, -114, -126, -128 in total 8 tenements. This group is considered as one tenement for exploration and mining to MRO under the Korean mining law.

Tenement Name	Area	ID	Registration No.	Registration Date	Area (ha)	Mineral
Gwesan Group	Gwesan	115	76942	15/05/2008	275	Uranium
	Gwesan	125	76941	15/05/2008	275	Uranium
	Gwesan	114	76967	29/05/2008	275	Uranium
	Gwesan	117	76965	29/05/2008	275	Uranium
	Gwesan	118	76966	29/05/2008	275	Uranium
	Gwesan	124	76964	29/05/2008	275	Uranium
	Gwesan	126	76968	29/05/2008	275	Uranium
	Gwesan	128	76969	29/05/2008	275	Uranium
					2,200	

Miwon Group – detailed information

Miwon Group includes Miwon -36, -46, -58, -37, -47, -57 in total 6 tenements. This group is considered as one tenement for exploration and mining to MRO under the Korean mining law.

Tenement Name	Area	ID	Registration No.	Registration Date	Area (ha)	Mineral
Miwon Group	Miwon	36	77018	12/06/2008	276	Uranium
	Miwon	46	77019	12/06/2008	276	Uranium
	Miwon	58	77020	12/06/2008	276	Uranium
	Miwon	37	77225	22/08/2008	276	Uranium
	Miwon	47	77291	24/09/2008	276	Uranium
	Miwon	57	77292	24/09/2008	276	Uranium
					1,656	

ADDITIONAL INFORMATION

Daejeon Group – detailed information

Daejeon Group includes Okcheon -136, -147, Daejeon -18, -28, -38, -48, -17, -7, -27, -47, -57 in total 11 tenements. This group is considered as one tenement for exploration and mining to MRO under the Korean mining law.

Tenement Name	Area	ID	Registration No.	Registration Date	Area (ha)	Mineral
Daejeon Group	Daejeon	18	77011	11/06/2008	277	Uranium, Vanadium, Molybdenum
	Daejeon	28	77012	11/06/2008	259	Uranium, Vanadium
	Daejeon	38	77013	11/06/2008	277	Uranium, Vanadium
	Daejeon	48	77014	11/06/2008	277	Uranium, Vanadium
	Okcheon	136	77010	11/06/2008	138	Uranium, Vanadium
	Okcheon	147	77038	20/06/2008	277	Uranium, Vanadium
	Daejeon	17	77039	20/06/2008	103	Uranium, Vanadium
	Daejeon	7	77114	04/07/2008	190	Uranium, Vanadium, Molybdenum
	Daejeon	27	77115	04/07/2008	56	Uranium
	Daejeon	47	77363	17/10/2008	242	Uranium
	Daejeon	57	77364	17/10/2008	186	Uranium
					2,282	

Corporate Governance

Pursuant to the ASX Listing Rules, the Company's Corporate Governance Statement will be released in conjunction with this report. The Company's Corporate Governance Statement is available on the Company's website at: <http://www.proteanenergy.com/investorcentre>