

27 August 2018

Pearl Clean Energy Acquires Protean Wave Technology

- PEARL Clean Energy Acquires 100% of the Protean Wave Energy technology
 - PEARL to spend \$700k over 5 years and pay royalties based on future revenue
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Protean Energy Limited (**Protean** or the **Company**) is pleased to advise that Protean and PEARL Clean Energy Pty Ltd (**PEARL**) have signed a binding Term Sheet Agreement (**Agreement**) for PEARL to acquire the Protean Wave Energy Converter technology assets (**WEC Assets**). The key terms of the Agreement include PEARL spending a minimum of \$700,000 on the WEC Assets within the first 5 years from signing 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. Under the terms of the Agreement, Protean will incur no further costs associated with the WEC Assets.

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 project in Korea whilst concurrently working to commercialise the V-KOR vanadium redox flow battery technology.

A summary of the key terms of the Agreement are contained in Schedule 1.

ABOUT PEARL CLEAN ENERGY

PEARL Clean Energy is an Australian based independent "new" energy company. Driven by a clear set of values we are committed to enable, develop and produce clean energy for industry, commerce and edge of grid communities. PEARL finds opportunities to develop, fund and operate medium to large scale renewable energy systems in Australia and across the Asia Pacific region. Combining the right energy solution for an application with innovative storage and energy management systems, PEARL provides smart energy solutions. PEARL partners with communities and commercial/industrial customers to provide sustainable energy outcomes.

For further information, see www.pearlce.com

ABOUT PROTEAN ENERGY LIMITED (ASX: POW)

Protean Energy Limited is an energy company focused on the commercialisation of its proprietary vanadium redox flow battery energy storage systems. The Company is also developing a multi-mineral project in South Korea through its 50% holding in Stonehenge Korea Limited (**SHK**). SHK is a JV company with KOSDAQ-listed industry partner DST Company Ltd (**DST**). SHK owns 100% of the rights to 3 projects in South Korea, including the Company's flagship Daejon Vanadium Project.

For further information, see www.proteanenergy.com or phone: T: + 61 8 9481 2277

SCHEDULE 1: Summary of Key Terms of the Agreement

1. On and from the Signing Date, Pearl Clean Energy Pty Ltd (the **Purchaser**) is solely responsible for maintaining the Assets to ensure the Assets are and remain valid and in good standing, including, being solely responsible for all costs associated with this obligation (**Good Standing Obligation**).
2. The Acquisition is conditional on the Parties obtaining all necessary shareholder and regulatory approvals (if required) within 60 days of signing the Agreement (**Condition**).
3. The Purchaser grants to Protean Energy Ltd (the **Vendor**) a 1.5% royalty on all or any revenue generated from the Assets (including revenue generated as a result of modifications, enhancements, or improvements to the Assets made by or on behalf of the Purchaser) in relation to or resulting from:
 - (a) the generation of electricity;
 - (b) the desalination of water; and
 - (c) the sale of any units or devices produced or manufactured, whether based on or in respect of the Assets (**Royalty Revenue**),for a period of ten (10) years from the Signing Date (**Royalty**).
4. The Royalty is not payable if the Expenditure Obligation is not met or is not capable of being met and provided that and subject to, the Purchaser issuing shares in the entity that is the legal and beneficial owner of the Assets (**Owner Entity**) to the Vendor in accordance with point 6 below.
5. The Purchaser must spend a minimum of A\$700,000 on the Assets within five (5) years from the Signing Date this Term Sheet (**Expenditure Obligation**).
6. If the Purchaser fails to satisfy or is incapable of satisfying the Expenditure Obligation, the Purchaser must issue or transfer shares in the Owner Entity to Protean to give Protean the percentage shareholding in the issued capital of the Owner Entity as determined by the formula below:
 - i. $(B - A) / B \times 100 = C$
Where:
 - ii. A = Actual Expenditure;
 - iii. B = \$700,000; and
 - iv. C = the percentage of the total issued capital of the Owner Entity to be held by Protean.
7. Subject to point 8 below, the Purchaser undertakes that it will not and must not grant or purport to grant, sell, transfer or agree to sell or transfer any right, title or interest in the Assets to any person or entity or encumber the Assets, unless it is subject to the obligations to pay the Royalty in point 3, and either:
 - (a) the Purchaser has satisfied the Expenditure Obligation; or
 - (b) the Purchaser has transferred shares to Protean pursuant to point 6 above; or
 - (c) Protean has consented in writing (which consent will not be unreasonably withheld).

For the avoidance of doubt the Royalty is only payable on any project or deployment after the successful completion of a commercial pilot program of at least six months duration and will not include any revenue being generated from the pilot program. Furthermore, the Royalty Revenue will be calculated based on the revenue stream generated from the Assets and will exclude other project revenue components generated from feasibility studies, system engineering, consulting services, and ancillary equipment procurement, installation and commissioning such as the power take off, marine transmission lines, land transmission lines and associated inverters, transformers, control systems and other power conditioning equipment.
8. The Purchaser agrees and undertakes, that if it exercises its rights under point 7 above, it must only do so on the basis that the value and effect of the Royalty to Protean is not materially adversely affected, diminished reduced or effectively extinguished.