PROTEAN ENERGY LIMITED

ABN 81 119 267 391

APPENDIX 4D

FOR THE HALF-YEAR ENDED

31 DECEMBER 2019

APPENDIX 4D

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Details of the reporting period and the previous corresponding period

Current period:	1 July 2019 to 31 December 2019
Prior corresponding period:	1 July 2018 to 31 December 2018

Results for announcement to market

Key information	31 Dec 2019 $	31 Dec 2018 $	Change %
Revenue from continuing operations	5,527	15,366	Down 64%
Loss after tax from continuing operations attributable to members	1,029,078	1,130,949	Down 9%
Net loss attributable to members	1,029,078	1,130,949	Down 9%

The Company's result for the half-year ended 31 December 2019 included the following non-cash items:

- $671,467 in impairment expense.

These expenses have increased the loss for the half-year to 31 December 2019 by $671,467 but are one off and non-recurring.

Details of dividends

No dividends have been declared or paid for the half-year ended 31 December 2019

Net tangible assets per ordinary share

	31 December 2019 $	30 June 2019 $
Net assets	946,351	1,975,322
Less:		
- Investment in joint ventures	-	715,796
Net tangible assets	946,351	1,259,526
Ordinary shares	311,437,245	311,437,245
Net tangible assets per security (cents)	0.30	0.40

Details of joint venture and associate

		Ownership interest	
Name	Relationship	31 December 2019	30 June 2019
Korea Vanadium Limited	Joint venture	50%	50%
KORID Energy Co. Ltd	Associate	50%	50%

Other disclosure requirements

Additional ASX Appendix 4D (Listing Rule 4.2A.3) disclosures can be found in the 2019 Interim Financial Report lodged separately from this document. This document should be read in conjunction with the 2019 Interim Financial Report, Annual report for the year ended 30 June 2019 and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

This interim financial report under ASX Listing Rule 4.2A.3 covers Protean Energy Limited and its controlled entities, and is based on the separately lodged consolidated financial statements and financial report which have been reviewed by BDO.

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

Bevan Tarratt
Executive Chairman

Perth, Western Australia
28 February 2020

PROTEAN ENERGY LIMITED

ABN 81 119 267 391

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2019

CORPORATE DIRECTORY

Directors
Bevan Tarratt *Non-Executive Chairman*
David Wheeler *Non-Executive Director*
Matthew Foy *Non-Executive Director*

Company Secretary
Matthew Foy

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

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

Share Registry
Link Market Services Limited
Central Park, Level 4, 152 St Georges Terrace
Perth WA 6000
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Stock Exchange Listing
Australian Securities Exchange
ASX Code - **POW**

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CONTENTS

Your Directors present their interim financial report for the consolidated entity consisting of Protean Energy Limited (**Protean** or **Company**) and the entities it controls (**Consolidated Entity** or **Group**) at the end of, or during, the half-year ended 31 December 2019.

DIRECTORS

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

Bevan Tarratt	Non-Executive Chairman
David Wheeler	Non-Executive Director
Matthew Foy	Non-Executive Director – appointed 31 December 2019
Wayne Loxton	Non-Executive Director – resigned 31 December 2019
Young Yu	Non-Executive Director – resigned 31 December 2019

PRINCIPAL ACTIVITIES

The activities of the Group and its subsidiaries during the half-year ending 31 December 2019 was mineral exploration in South Korea and commercialisation activities associated with renewal energy projects in South Korea and Australia.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the half-year ended 31 December 2019 (31 December 2018: Nil).

FINANCIAL SUMMARY

The Group made a net loss after tax of $1,029,078 for the financial half-year ended 31 December 2019 (31 December 2018: loss $1,130,949). At 31 December 2019, the Group had net assets of $946,231 (30 June 2019: $1,975,322) and cash assets of $921,643 (30 June 2019: $1,290,583).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

REVIEW OF OPERATIONS

Korea Vanadium Inc (Formerly Stonehenge Korea Inc.)

The Company, through its 50% holding in Korea Vanadium Limited (**Korea Vanadium**) with DST Co. Ltd (**DST**), holds the rights to three projects in South Korea including the flagship Daejon Vanadium Project (the **Project**).

During the Period the Company provided an update on the Excavation License Application submitted in June 2019 to the Chungnam provincial office to convert the Daejon tenements into mining production status. The Excavation License Application had been initially reviewed by the Chungnam provincial office as well as consulting with the Korean Institute of Geology and Minerals (**KIGAM**). Korea Vanadium worked with the Chungnam provincial office in relation to responding to queries on the license application and the Chungnam provincial office extended its review period to allow time for the provision of additional information to 31 January 2020.

Subsequent to the Period DST advised that amid opposition from local residents to the mining plan and having regard to the depressed Vanadium commodity prices and requirement to commence mining within a finite period of time from grant, a request to withdraw the Excavation License Application had been accepted by the Chungnam provincial office. The withdrawal of the Excavation License Application does not preclude the application from being re-submitted in the future.

The Project's Mineral Resource Estimation (**MRE**), targeting 8.3km of known strike length is set out in Table 1 below. The MRE comprises a combined Mineral Resource Estimate (JORC 2012) of 76 Mt @ 0.3% V_2O_5 (2,000ppm cut-off) and 110ppm U_3O_8 was defined for a total of 490 Mlbs V_2O_5 and 18 Mlbs U_3O_8 (Figure 1 and Table 1).

Cutoff	Classification	V_2O_5 Resource with U_3O_8 by-product					U_3O_8 Only Resource		
		Tonnes mt	V_2O_5 ppm	mlbs V_2O_5	U_3O_8 ppm	mlbs U3O8	Tonnes Mt	U_3O_8 ppm	mlbs U3O8
V_2O_5 > 2,000ppm or U_3O_8 >200ppm	Indicated	3.6	3,000	24	140	1.1	0		
	Inferred	72	3,000	470	110	17	15	250	8.1
	Indicated + Inferred	**76**	**3,000**	**490**	**110**	**18**	**15**	**250**	**8.1**

Table 1: September 2018 Daejon Mineral Resource Estimate. Indicated and Inferred categories may not sum due to rounding.

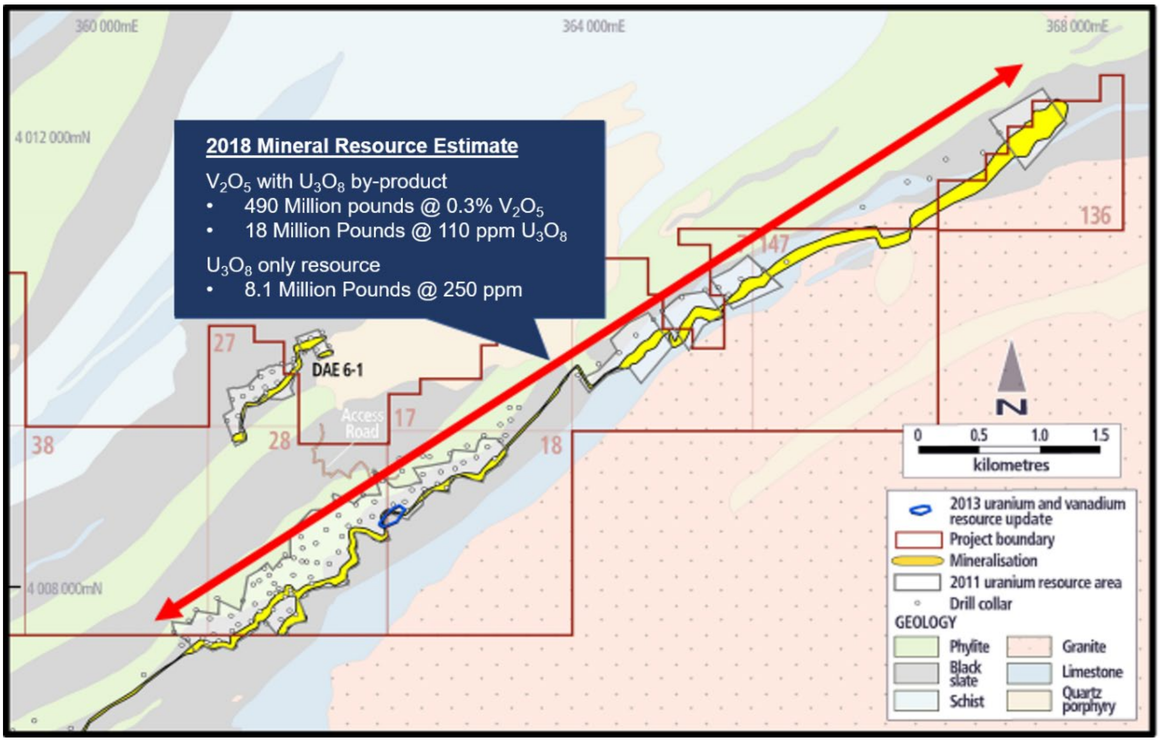

Figure 1: Strike extent of the 2018 Mineral Resource Estimate

V-KOR Vanadium Redox Flow Battery

The Company's KORID Energy Limited (**KORID Energy**) that it holds a 50% interest in with DST, is currently in the second year of a project funding commitment of AU$3.0M to install and run its patented V-KOR stack technology as part of a AU$9.7M vanadium battery project in South Korea (**Funding Project**).

The Korean Institute of Energy Technology Evaluation and Planning (**KETEP**) is administering the Funding Project and the grant, where the patented V-KOR stack technology will be integrated with a 1MW/4MWh vanadium redox flow battery (**VRFB**), anticipated to occur in the third year of the Funding Project.

The V-KOR stack technology is an energy storage system that stacks a series of repeating cell frames to form a number of cells within the overall battery stack - improving battery performance and lowering manufacturing costs, compared to conventional VRFB technology.

KORID Energy will benefit directly from the project, which will enable the execution of further product improvements to scale the manufacturing and assembly process of V-KOR, particularly its 25kW stack.

The project aims to double the energy density of vanadium electrolyte, which could significantly reduce the physical footprint of the V-KOR battery solution.

The improvements to the 25kW could lead to substantial cost reductions as well as an enhanced assembly process - a key part of the KORID Energy's commercialisation strategy for large-scale utility applications, such as commercial and industrial use.

Over the course of the second year of the Funding Project, KORID Energy has made improvements to key components of the VRFB technology and integrated a new 50kW stack module that comprises two 25kW class stacks that can be installed in a 50kW/200kWh VRFB modular system.

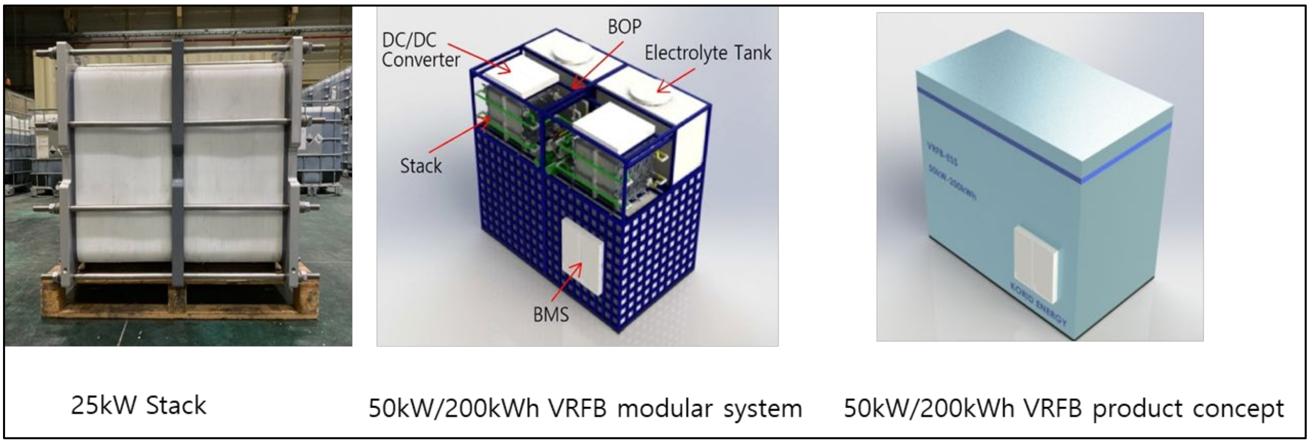

Figure 2: VRFB 50kW stack product concept.

CORPORATE

Board Changes

During the Period the Company advised that Mr Young Yu and Mr Wayne Loxton had resigned from the Board of the Company effective 31 December 2019.

The Company further advised that Mr Matthew Foy had been appointed Non-Executive Director of the Company effective 31 December 2019. Matthew has been Company Secretary of Protean since 2011 has over 12 years' experience in the securities, finance and mining industry. Matthew has completed a Bachelor of Commence degree at the University of Western Australia and is a Fellow of The Governance Institute of Australia. Matthew has a sound knowledge of ASX corporate governance guidelines, board process and the regulatory environment in which public companies operate.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

KORID Energy Global Licensing Agreement

On 21 February 2020 the Company announced that DST had advised that KORID had entered into a into a conditional global rights licensing agreement with TSX-V listed Margaret Lake Diamonds Inc (TSX.V:DIA) (**Margaret Lake**) to enable Margaret Lake to construct a factory in the United States for the purpose of producing Vanadium Redox Flow Batteries and energy storage systems using KORID's patented battery technology (**Agreement**).

The Agreement grants exclusive global rights, with the exception of Korea and Australia, to KORID's proprietary vanadium redox battery technology to Margaret Lake

The Agreement is subject to the following conditions:

- Margaret Lake obtaining shareholder and TSX approval for the Agreement, anticipated to take approximately 60 days from execution;
- Margaret Lake undertaking due diligence enquiries within 60 days or by the time Margaret Lake obtains shareholder approval for the Agreement, whichever is sooner;

- Margaret Lake completing a CAD$5,000,000 capital raising and a consolidation of capital;
- Margaret Lake completing a 'reverse takeover' on the TSX-V;
- The minimum value of KORID's VRFB-ESS technology being valued at CAD$5,000,000 (unless otherwise agreed by the parties) by an independent qualified organisation such as the Korea Valuation Association or US accredited National Association of Certified Valuators and Analysts, anticipated to take approximately 60 days to prepare; and
- The transfer of KORID technology to Margaret Lake will occur within seven days of completion of the reverse takeover on the TSX-V.

The term of the Agreement is indefinite and will continue in effect until termination by mutual agreement in writing. Margaret Lake have announced that the allocation of the 20 million consideration shares as follows (**Consideration Shares**):

- 7.5 million to KORID Energy Co. Ltd;
- 7.5 million to DST Co. Ltd; and
- 5.0 million to LKAT Co. Ltd (**LKAT**)

DST have advised that LKAT is an unrelated entity that will undertake the construction of a pilot battery plant to be based in Korea at a cost of KRW1,000,000,000 (~AUD$1.24 million) and the Consideration Shares will be allocated to LKAT by KORID as collateral for investment. Protean has been unable to verify this information and has requested a copy of the agreement.

DST have further advised that to date, it has invested an amount of KRW1,967,000,000 (~AUD$2.45 million) and the allocation of Consideration Shares will be utilised to off-set loans provided by it. Protean has not verified the veracity of the purported invested funds and intends to undertake its own audit on the issue.

The Company cautions shareholders with ascribing any value to the Company's interest in Consideration Shares with respect to the transaction at this time. Protean was not privy to any of the discussions or negotiations between either DST, KORID, Margaret Lake or LKAT prior to the Agreement being executed. Protean has and is continuing to seek further clarification. Protean further notes that the above split of Consideration Shares has been previously modified via announcement by Margaret Lake and Protean believes there is a degree of uncertainty as to the allocation.

Daejon Excavation Licence Application Update

Subsequent to the Period the Company provided an update on the Excavation License Application submitted in June 2019 to the Chungnam provincial office. DST have advised that, amid severe opposition from local residents to the mining plan and having regard to the depressed Vanadium commodity prices and requirement to commence mining within a finite period of time from grant, a request to withdraw the Excavation License Application has been accepted by the Chungnam provincial office. The withdrawal of the Excavation License Application does not preclude the application from being re-submitted in the future however the Company is determining the implications of the expiry date of the tenements with respect to the withdrawal of the application.

In the opinion of the Directors, no other events 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.

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

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

Daejeon Group – detailed information

Daejeon Group includes Okcheon -136, -147, Daejeon -18, -28, -38, -48, -17, -7 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
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
					1,798	

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. Additionally, Mr Cervoj confirms that the entity is not aware of any new information or data that materially affects the information contained in the ASX releases referred to in this report

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on the following page for the half-year ended 31 December 2019.

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

Bevan Tarratt
Non-Executive Chairman

Perth, Western Australia
28 February 2020

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Australia

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

As lead auditor for the review of Protean Energy Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 $	31 December 2018 $
Revenue from continuing operations			
Interest income		5,527	15,366
Expenses			
Research and development expense	1	-	(68,581)
Assaying expense		(10,350)	(290,650)
Depreciation and amortisation expense		(6,679)	(7,670)
Administrative expense		(301,673)	(637,197)
Share based payment expense		-	(8,506)
Share of net loss of joint venture accounted using the equity method	4	(44,436)	(133,711)
Impairment expense	4	(671,467)	-
Loss before income tax		(1,029,078)	(1,130,949)
Income tax benefit		-	-
Loss attributable to members of the Company		(1,029,078)	(1,130,949)
Other comprehensive income			
Items that may be reclassified to the profit or loss			
Exchange differences on translation of foreign operations		107	(1,958)
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income (FVOCI)		-	(434,116)
Other comprehensive loss for the period, net of tax		-	(436,074)
Total comprehensive loss for the period attributable to members of the Company		(1,028,971)	(1,567,023)
Loss per share for loss from continuing operations attributable to the ordinary equity holders			
Basic and diluted loss per share (cents per share)		(0.33)	(0.37)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 $	30 June 2019 $
Current assets			
Cash and cash equivalents	3	921,643	1,290,583
Trade and other receivables		37,024	36,252
Total current assets		958,667	1,326,835
Non-current assets			
Plant and equipment		34,045	40,724
Interest in joint venture – Korea Vanadium	4	-	715,796
Total non-current assets		34,045	756,520
Total assets		**992,712**	**2,083,355**
Current liabilities			
Trade and other payables	5	44,446	106,580
Provisions		1,914	1,453
Total current liabilities		46,360	108,033
Total liabilities		**46,360**	**108,033**
Net assets		**946,351**	**1,975,322**
Equity			
Issued capital	7	34,953,095	34,953,095
Reserves		7,745,787	7,745,680
Accumulated losses		(41,752,651)	(40,723,573)
Capital and reserves attributable to owners		946,231	1,975,202
Non-controlling interest		120	120
Total equity		**946,351**	**1,975,322**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Issued Capital $	Reserves $	Accumulated Losses $	Non-controlling interest $	Total Equity $
As at 1 July 2018 as originally presented	34,918,095	9,641,754	(37,590,096)	121	6,969,874
Change in accounting policy [1]	-	(1,445,819)	1,445,819	-	-
Restated total equity as at 1 July 2018	34,918,095	8,195,935	(36,144,277)	121	6,969,874
Loss for the half-year	-	-	(1,130,949)	-	(1,130,949)
Other comprehensive income/(loss)	-	(436,074)	-	-	(436,074)
Total comprehensive income/loss for the half-year	-	(436,074)	(1,130,949)	-	(1,567,023)
Transactions with owners in their capacity as owners					
Shares issued during the period	-	-	-	-	-
Share issue expenses	-	-	-	-	-
Performance rights expense recognised during the half-year	-	8,506	-	-	8,506
As at 31 December 2018	34,918,095	7,768,367	(37,275,226)	121	5,411,357
As at 1 July 2019	34,953,095	7,745,680	(40,723,573)	120	1,975,202
Loss for the half-year	-	-	(1,029,078)	-	(1,029,078)
Other comprehensive income/(loss)	-	107	-	-	107
Total comprehensive income/loss for the half-year	-	107	(1,029,078)	-	(1,028,971)
Transactions with owners in their capacity as owners					
Shares issued during the period	-	-	-	-	-
Share issue expenses	-	-	-	-	-
As at 31 December 2019	34,953,095	7,745,787	(41,752,651)	120	946,351

1 *Changes recognised as a result of the adoption of AASB 9 Financial Instruments. Refer to Note 14 for further details*

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 $	31 December 2018 $
Cash flows from operation activities			
Payments in the normal course of business		(374,198)	(1,130,834)
Interest received		5,257	15,366
Net cash used in operating activities		(368,940)	(1,115,468)
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment		-	(4,569)
Proceeds from disposal of financial assets at FVOCI (after costs)		-	490,185
Investment in joint venture		-	(289,950)
Net cash provided/(used) in investing activities		-	195,666
Net (decrease)/increase in cash and cash equivalents		(368,940)	(919,803)
Cash and cash equivalents at the beginning of the period		1,290,583	2,419,879
Effects of exchange rate changes on cash and cash equivalents		-	14,798
Net cash and cash equivalents at the period	3	921,643	1,514,875

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

1. EXPENSES

	31 December 2019 $	31 December 2018 $
Loss before income tax includes the following specific items:		
Research and development:		
Research and development costs [1]	-	68,581
Total research and development expense	-	68,581

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

2. SEGMENT INFORMATION

Management has determined that the Group has three reportable segments, being exploration in South Korea, investment in Battery Technology and Other exploration activities. The Group's exploration in South Korea is funded through its joint venture investment in Korea Vanadium Limited 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 $
For half-year ended 31 December 2019				
Exploration – South Korea				
Investment in Joint Venture	-	(715,903)	-	-
Exploration activity	-	-	32,746	(385)
Battery technology				
Investment in Associate	-	-	-	-
Battery Technology	-	-	-	-
Exploration Other	-	(20,000)	-	(164)
Corporate activities	5,527	(293,174)	959,966	(45,811)
Total	5,527	(1,029,078)	992,712	(46,360)

2 SEGMENT INFORMATION (continued)

	Revenue from external sources $	Reportable segment loss $	Reportable segment assets [(2)] $	Reportable segment liabilities $
	For half-year ended 31 December 2018		*For year ended 30 June 2019*	
Wave technology	-	7,595	-	-
Exploration – South Korea				
Investment in Joint Venture	-	(133,711)	715,796	-
Exploration activity	-	(167,104)	38,276	(33,385)
Battery technology				
Investment in Associate	-	-	-	-
Battery Technology	-	(76,175)	-	-
Corporate activities	-	(123,546)	1,329,283	(74,648)
Total	-	(500,536)	2,083,355	(108,033)

1 *Other corporate activities includes cash held of $921,643.*
2 *Other corporate activities includes cash held of $1,290,583.*

3. CASH AND CASH EQUIVALENTS

	31 December 2019 $	30 June 2019 $
Cash at bank	921,643	1,290,583

4. INTEREST IN JOINT VENTURE

	31 December 2019 $	30 June 2019 $
Opening balance	715,796	2,847,045
Additional investment at cost [(1)]	-	204,950
Share of net loss of joint venture accounted using the equity method	(44,436)	(1,498,920)
Impairment [(2)]	(671,467)	(840,265)
Foreign exchange gain/(loss) recognised in other comprehensive income	107	2,986
Closing balance	-	715,796

1 *The JV Agreement with DST requires that the Company and DST share the cost of Stage 2. Funding is provided by way of additional investment to Korea Vanadium Limited to accelerate the development of the Daejon vanadium and uranium project by conducting work to contribute to the preparation of a pre-feasibility study.*

2 *Subsequent to the end of the period the JV submitted mining plan application withdrawal request amid severe opposition from local residents and economic deterioration caused by a plunge in vanadium prices for the Daejeon tenements. As a result, the assets were considered to be impaired and an impairment loss has been recognised.*

5. TRADE AND OTHER PAYABLES

	31 December 2019 $	30 June 2019 $
Trade payables	44,446	106,580
Provisions	1,914	1,453
	46,360	106,580

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.

6. 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 follows. At 31 December 2019 and 30 June 2019, no such assets or liabilities were recorded at fair value.

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

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

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

Valuation techniques used to determine fair values

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

7. ISSUED CAPITAL

	31 December 2019 Shares	30 June 2019 Shares	31 December 2019 $	30 June 2019 $
Fully paid	311,437,245	311,437,245	34,953,096	34,953,096

There have been no movements in ordinary share capital during the current financial period.

8. DIVIDENDS

No dividends have been declared or paid for the half-year ended 31 December 2019 (31 December 2018: nil).

9. CONTINGENT ASSETS AND LIABILITIES

There have no changes to contingent assets or liabilities since the last annual reporting date, 30 June 2019.

10. COMMITMENTS

There have been no other changes to commitments since the last annual reporting date, 30 June 2019.

11. 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.

Remuneration

Related parties have continued to receive remuneration on the terms described in the Remuneration Report in the Company's last Annual Financial Report.

Payment of fees

During the period the following related party transactions took place:

- Mr Young Yu, Non-Executive Director, is a director of MGM O'Connor Corporate Advisory, which received Mr Yu's director and consulting fees during the period. At period end the Company had an outstanding payable balance of $7,700 (30 June 2019: nil).
- Mr David Wheeler, Non-Executive Director, is a director of Pathways Corporate Pty Ltd which received Mr Wheeler's director fees during the period. At period end the Company had no outstanding payable balance (30 June 2019: nil).

12. EVENTS SUBSEQUENT TO END OF THE REPORTING PERIOD

Subsequent to period end:

- On 21 February 2020 the Company announced that DST had advised that KORID had entered into a into a conditional global rights licensing agreement with TSX-V listed Margaret Lake Diamonds Inc (TSX.V:DIA) (**Margaret Lake**) to enable Margaret Lake to construct a factory in the United States for the purpose of producing Vanadium Redox Flow Batteries and energy storage systems using KORID's patented battery technology (**Agreement**).

  The Agreement grants exclusive global rights, with the exception of Korea and Australia, to KORID's proprietary vanadium redox battery technology to Margaret Lake

  The Agreement is subject to the following conditions:

  - Margaret Lake obtaining shareholder and TSX approval;
  - Completion of due diligence;
  - Margaret Lake completing a capital raising and 'reverse takeover' on the TSX-V; and

12. EVENTS SUBSEQUENT TO END OF THE REPORTING PERIOD (continued)

- DST have advised that, amid severe opposition from local residents to the mining plan and having regard to the depressed Vanadium commodity prices and requirement to commence mining within a finite period of time from grant, a request to withdraw the Excavation License Application has been accepted by the Chungnam provincial office. The Excavation License Application submitted in June 2019. The withdrawal of the Excavation License Application does not preclude the application from being re-submitted in the future however the Company is determining the implications of the expiry date of the tenements with respect to the withdrawal of the application.

In the opinion of the Directors, no other events 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.

13. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide a full understanding of financial performance, financial position and financing and investing activities of the consolidated entity as full year financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Protean Energy Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group has changed its accounting policies as a result of the adoption of the following standard:

- AASB 16 Leases.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The impact of these standards, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

AASB 16 Leases

The consolidated entity has adopted ARSB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees the classifications of operating leases and finance leases. Except for short-term and leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (including operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is row replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The adoption of this standard has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

14. CHANGES IN ACCOUNTING POLICIES – PRIOR PEIROD

This note explains the changes in the Group's accounting policies during the prior period as a result of the adoption of AASB 9 Financial instruments.

(a) AASB 9 Financial Instruments ("AASB 9")

AASB 9 replaced the provisions of AASB 139 Financial Instruments: Measurement and Recognition ("AASB 139") that relate to the recognition, classification and measurement of financial assets and liabilities, recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 resulted in minimal changes in accounting policies. Transitional adjustments were however required, which were recognised on 1 July 2018, in accordance with the transitional provisions of AASB 9.

AASB 9 - Impact of adoption

Classification and measurement of financial assets

As a result of the adoption of AASB 9, assets with a fair value of $1,899,226 were reclassified from available-for-sale financial assets, to financial assets at FVOCI in the statement of financial position. In addition, $1,445,819 was reclassified from Accumulated Losses to the FVOCI Reserve (included within 'Reserves'), reflecting impairment charges from prior financial periods recognised in Accumulated Losses in accordance with AASB 139.

DIRECTORS' DECLARATION

In the Directors' opinion:

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

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

   (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date.

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

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

On behalf of the Directors

Bevan Tarratt
Non-Executive Chairman

Perth, Western Australia
28 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Protean Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Protean Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO

Jarrad Prue

Director

Perth, 28 February 2020