Strategic Energy Resources Limited

ABN 14 051 212 429

Annual Report - 30 June 2015

Contents

Directors	Mr Glenister Lamont (Non-Executive Chairman) Mr Peter Armitage (Non-Executive Director) Mr Anthony Rechner (Technical Director) Mr Stuart Rechner (Alternate Director)
Chief Executive Officer	Mr Mark Muzzin
Company secretary	Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne, VIC 3205 Ph: (03) 9692 7222 Fax: (03) 9077 9233
Principal place of business	Level 4, 100 Albert Road South Melbourne, VIC 3205 Ph: (03) 9692 7222 Fax: (03) 9077 9233
Share register	Link Market Services Limited Level 1, 333 Collins Street Melbourne, VIC 3000 Ph: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd The Rialto Level 30, 525 Collins Street Melbourne VIC 3000
Stock exchange listing	Strategic Energy Resources Limited shares are listed on the Australian Securities Exchange (ASX code: SER)
Website	www.strategicenergy.com.au

Strategic Energy Resources Limited
Chairman's Letter
30 June 2015

Dear Shareholders,

Towards the end of the year, we saw another successful demerger of a business, Ionic Industries, created by Strategic Energy Resources. Incubation of the intellectual property arising out of the team under Associate Professor Mainak Majumder at Monash University relating to graphene has taken over five years. In the last year, the focus of the technology has sharpened to concentrate on water purification and energy. The Ionic team had some notable achievements during the year, which we have reported on elsewhere. As the technology has matured, the first stage of commercialisation commenced with a scoping study covering the engineering and marketing of one of the technologies, SuperSand.

Once the technology had reached this stage, the board considered it appropriate that a separate entity with the appropriate scientific and commercial skills and able to access funding directed at technology should be established. Under a new board, shareholders have now approved the demerger and our CEO Mark Muzzin has agreed to become the Managing Director of Ionic Industries. Strategic Energy retains a significant shareholding in Ionic and we wish them success.

Investor interest in exploration activities was poor at the beginning of the year and has arguably declined further during the year. Not wanting to ask shareholders for money and the need to support the modest demands for funds for Ionic, saw exploration activities reduced.

The difficult situation for resources has meant that some attractive opportunities are presenting themselves and we continue examine new projects that might be attractive for shareholders. We so far have made one small investment. In regards to both our South Australian and Western Australian tenements, drilling planned by explorers on adjacent properties has the potential to give new insight and impetus to Strategic Energy's properties. This means having spent enough to meet our regulatory commitments we can watch and await developments for these properties.

Strategic Energy's largest investment, Valence Industries has progressed towards the production of graphite at the Uley project in South Australia. Regulatory and other hurdles have seen disappointing production outcomes, but progress continues.

In light of the reduced exploration activity, the company has reduced operating costs across a range of areas including salaries and office costs. The board thanks shareholders for their support and believes there is potential for an improvement in the sentiment towards junior exploration companies in 2016.

Glenister Lamont
Chairman

GRAPHENE RESEARCH WITH MONASH UNIVERSITY

DEMERGER OF IONIC INDUSTRIES

During the financial year, Ionic Industries Limited (Ionic) was successfully demerged from the SER group. SER currently holds 20% of the issued capital of Ionic.

ionic
industries

Ionic holds, under the Collaboration Agreement with Monash University, commercialisation agreements with patent/IP holder Monash University, who licences that commercialisation to Ionic in accordance with its patent/IP rights.

MARKETING AND ENGINEERING STUDIES COMPLETED ON POTENTAIL FIRST PRODUCT

Ionic has released the results of a marketing and engineering scoping study for its planned pilot plant. Taken together these studies confirm the economic viability of the planned pilot scale graphene oxide and SuperSand facility.

Ionic is setting itself up to be a leading manufacturer of specialised graphene based products for major sectors of the economy. An independent engineering group, was commissioned to examine the feasibility of a pilot plant to produce graphene oxide (GO) and multiple SuperSand products using Ionic's innovative technology, in order to move forward on the positive findings of the Freedonia Custom Research Inc marketing report which identified niches where SuperSand could potentially compete in the global activated carbon market.

Graphene is not of itself a bulk commodity, but can be incorporated into smart bulk products tailored for specific applications, such as in Ionic's planned first product line, SuperSand. The Freedonia report identified extensive potential for customised SuperSand products to replace activated carbon products. SuperSand consists of an inert substrate, coated with a small amount of graphene oxide - around one percent by weight in current trials.

The unique properties of graphene oxide can also be exploited in many other applications. Ionic will be concentrating on two areas where its research and development team have already made significant advances: graphene based high performance energy storage devices, and filtration in various industries for environmental pollutant decontamination and resource extraction.

IONIC'S GRAPHENE FOR WATER PURIFICATION AND ENERGY STORAGE

Ionic Industries is focused on two critically important issues for human sustainability and advancement, namely water and energy. SER partnered with Monash University 5 years ago on graphene research and development. The relationship has benefited from being the recipients of two Australian Research Council Linkage grants on graphene based technologies, namely on our super capacitors and our graphene membrane technologies.

Water Purification

Water purification is a huge market and graphene will potentially contribute greatly to the advancement in technologies for water processing. Ionic Industries' SuperSand and membrane technologies are expected to benefit the water purification industry.

Energy Storage

Energy storage is the other key focus for Ionic Industries. We have been working on super capacitors with Associate Professor Majumder's team from Monash University, who have been researching and developing the focussed ion beam super capacitor technology for some 5 years. Now with demerger completed, Ionic is aiming to have a working prototype of a basic planar super capacitor within six months of the proposed ASX listing.

Super capacitors and nanocapacitors are the next step in the evolution of energy storage. Research and development of these energy storage devices are advancing quickly and have many advantages over current battery technology.

In almost every case, desired performance is limited by the capability envelope of the energy storage systems currently available. The size (both by volume and by weight), limits the range, endurance and payload of the application as well as being a significant cost factor.

But there are several other relevant drivers of performance to consider:

How long does it take to recharge? This can be critical in some circumstances.

At what rate is it able to discharge its energy? This limits the power that can be extracted.

How efficient is it? How much energy gets wasted as heat that might require additional cooling? How long will it keep working and how many times can it be discharged and recharged? This affects the overall lifetime cost as well as the environmental aspect of disposal.

Does it maintain its rated voltage and power as it discharges? Chemical batteries do not because of their internal resistance and chemical processes, and so additional power conditioning is often required.

What is its shelf life when not in use? What range of environmental conditions is it able to be stored and operated in? Chemical batteries operate best in a very narrow temperature range, while some high performance batteries require very high temperatures, posing additional safety issues e.g. liquid sodium sulphur batteries (NAS).

A huge amount of R&D is currently in place, much of it targeting improvements in chemical batteries e.g. the many recently announced initiatives in lithium based systems. These will no doubt produce some improvements but the potential for improved performance is limited by the basic physics of the devices. Chemical batteries rely on moving ions between electrodes and so the theoretical limit for the energy density of all reversible chemical batteries is the energy density in ionic bonds, ~ 1GJ/m3. Current chemical battery technology is already close to that limit so there is not a lot of scope for improvement.

In the bigger picture, one can say that chemical batteries are a fairly mature technology which has limited scope for further improvement, and which will eventually be overtaken by radically different novel energy storage systems based on different physics, which have the potential to greatly exceed the performance limits of chemical batteries.

One such novel system is based on nanotechnology and the unique properties of graphene; arrays of nanocapacitors in which self-discharge is suppressed by quantum effects, and which can theoretically achieve energy densities up to 3 orders of magnitude greater than chemical batteries.

Nanocapacitors also have several other advantages. Since it is electrons rather than ions that move, the speed at which they can be charged and discharged is limited by the speed of electrons moving, which can be 10% of the speed of light. For practical purposes, this is close enough to instantaneous, and so can deliver very high power and be recharged very fast. In principle they also maintain fixed output performance with no drop off or heating, and they can be configured to provide any desired voltage and power.

Such technologies are likely to eventually overtake the existing chemical battery energy storage systems in many applications but there is still a lot of R&D required before this happens. Ionic is fortunate to be in on the ground floor of this potential technology revolution and to be able to be part of its development.

The Importance of Graphene in the Future of Energy Storage Solutions

There is no argument that at the rate that civilisation is consuming fossil fuels, it is only a matter of time before economic extraction becomes difficult. The question is how long do we have. Some of the more pessimistic scenarios indicate that it is only 30 to 40 years or just less than two generations. So how will we feed, clothe and supply energy to a projected 10 to 12 billion people?

Clearly we will need to find an alternative source of energy. In the electricity sector, renewables, in particular wind and solar, provide a solution. These sources are already a significant part of the energy mix in a number of countries and are expected to account for an increasing share of the world's electricity output in the future. But these renewables are intermittent in that solar photovoltaics (PV) do not generate electricity at night or when there is cloud cover; when the wind does not blow no windmill electricity is produced.

So for these renewable sources to supply us with reliable and continuous power, electricity that is generated when there is a surplus has to be stored and released when renewables are not generating. With the transformation of electricity grids from centrally supplied legacy grids to smarter grids this storage in the form of in home battery banks and grid banks can now be deployed and activated in the networks.

Distributed storage overcomes the intermittency limitations of renewables, smoothing out the peaks and troughs of the load profiles, thus creating an efficient and reliable integrated energy system that displaces fossil fired base load plant.

Storage also improves the distribution grids' stability, where the potential for regional balancing can be limited when storage is unavailable. Given this fundamental role that distributed storage will play in the emerging smarter grids, global demand is expected to soar over the next two decades, as renewables become increasingly cost competitive, and a large component of the generating plant mix.

Much progress is being made in storage technologies but currently they are still developing. Greatest progress has however been made with solar PV paired with battery storage.

At the grass roots level, solar PV paired with battery storage has already reached the viability threshold in a number of countries. For some consumers it is now less expensive to self-generate electricity using solar PV paired with storage and supplemented with embedded generation than it is to use electricity from the grid.

The economics are compelling for decentralised, stand alone, residential applications, where retail energy prices are high, compensation for electricity fed into the grid is low or government support for solar PV paired with battery storage is available.

This is improving the economics of distributed storage to the point where cost reductions are beginning to track the profile of solar PVs experienced in the last five years, making off grid storage the preferred option for many consumers and consequently reducing our reliance on fossil fuels.

EXCLUSIVE WORLDWIDE LICENCES TO COMMERCIALISE GRAPHENE IP

Ionic is involved in a collaboration with Monash University. It has entered into an agreement under which it will have the first right to fund graphene research undertaken by Associate Professor Mainak Majumder's team at Monash and then licence any IP generated by that research with a view to commercialisation**.**

Ionic entered into two exclusive worldwide licences to commercialise the Intellectual Property (IP) generated by Associate Professor Mainak Majumder, from the Department of Mechanical and Aerospace Engineering, Monash University.

The first licence was or the project titled ‘Nanotechnology enabled electrochemical energy storage materials from indigenous natural graphite’. This project was the subject of our first Australian Research Council grant between Ionic and Monash University, and relates to our super capacitor technology.

The second licence is in the field of graphene membrane for separation. The IP generated has already been developed under Ionic’s second Australian Research Council grant (ARC) between Ionic and Monash University. CSIRO and the University of Kentucky are collaborating partners in this exciting research.

The licences have been granted on the following material terms:

- Ionic has full rights to exploit and commercialise the IP, including by direct sale or by sub-licensing
- The licence is transferable by Ionic, subject to the consent of Monash (which is not to be unreasonably withheld)
- If Ionic is successful in commercializing the IP and generates direct revenue or sub-licensing revenue, it will pay Monash a royalty of 3% of gross revenue (in the case of direct sales) and 15% of sub-licensing income.

The material terms of the licences described above will apply to any future IP licences generated under the Collaboration Agreement.

BENCH SCALE FACILITY

Ionic signed a jointly funded Research Agreement with Monash University to develop a bench-scale facility for the production of GO.

The facility, under the supervision of Associate Professor Mainak Majumder, will move manufacturing out of the laboratory, allowing the supply of much larger quantities of GO for our specific commercial goals, namely:

- ***Super-capacitors***

  Ionic is developing planar super capacitors with massive energy and power density which could by-pass lithium ion batteries.

- ***SuperSand***

  SuperSand has multiple uses and we are concentrating on developing the SuperSand specifically targeting contaminants that are larger in size and not easily removed by other absorption technologies.

- ***Membranes***

  Ionic will produce large area nano-filtration RGO membranes, for the mining and food processing industries and potentially for Super capacitors.

The bench scale facility is jointly funded by Monash University and Ionic. Monash is contributing $100,000 towards the project with the balance paid by Ionic. Ionic retains ownership of the facility, with Monash responsible for the maintenance and upkeep of the facility.

The building of the bench scale facility is a vital step towards our goal of commercialising our technologies. Initial batches of GO production will be in the range of 1kg to 2kg per day. The GO bench scale facility is of major importance as our researchers will be able to manufacture and tailor GO products for use in our applications.

Bench Scale Facility Engineering

Another critical development has been the input from the independent engineers assigned to the pilot plant scoping study. Their input had a marked influence over the bench scale facility and set up. More specifically over the choice of the reactor and some of the other components and material used in the construction. The next phase of testing will concentrate on optimising the process of making the GO and RGO. This will no doubt lead to improving the efficiency in production and reducing the cost in making commercial quantities of GO and RGO.

Dr Akshat Tanksale, co-investigator on this project said “large scale GO production from graphite is a significant challenge which we will overcome by using robust reaction engineering approaches. The scale of our reactor is several times what has been demonstrated to date and the reactor technology, we are developing is highly modular.”

ARC LINKAGE GRANT AND MEMBRANE CASTING FACILITY

Ionic and Associate Professor Mainak Majumder’s team at Monash University for the second time was awarded an ARC Linkage (Australian Research Council) grant on our graphene based research. The research is titled – “Green Manufacturing of Graphene from Indigenous Natural Graphite and Graphene-based Nano-filtration Membranes”.

There are many potential uses for our graphene membrane technology, including purification of salt water, mine waste water and extraction of heavy metals to name just a few. Associate Professor Majumder said "the graphene membrane technology we are currently investigating could also be used for generating energy from osmotic gradients or scavenging waste heat to run electric motors without batteries. Recent experiments in China and the US have shown the potential of such application".

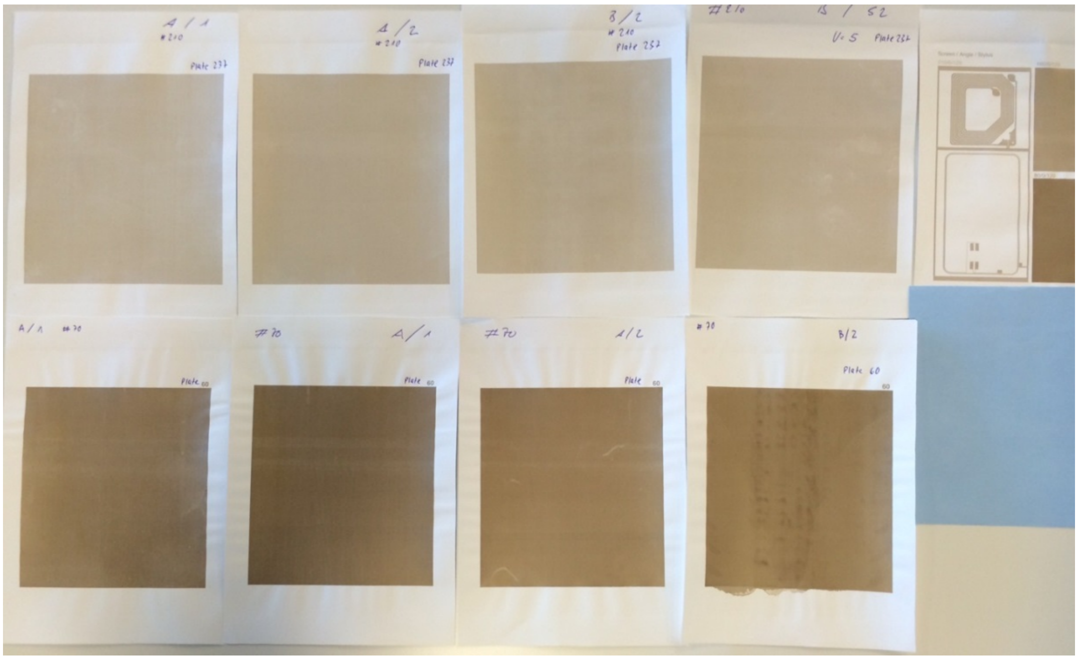
Utilizing fluid phase dispersed GO, Ionic will develop scalable and industrially-adaptable methods to manufacture thin yet mechanically robust, inert, fouling-resistant, highly-permeable graphene-based asymmetric membranes. These advanced membranes will find wide application in reducing discharge of mining effluents and recovery of precious metals and used in electronics, ie, super capacitors etc. This research is already underway and has led to very encouraging results for water purification.

Membrane Casting Facility

A membrane casting facility has been setup in the one of the laboratories at Monash used by the Ionic team. This is a very important step in our development of a scalable RGO membrane, which will have multiple uses in the mining and food processing industries. RGO samples produced by our proprietary method were rigorously tested with the membrane casting equipment manufacturer and we are very pleased with the results obtained and thus decided to purchase the equipment.

The new acquisition has enabled our researchers to tailor the number of sheets of RGO that can be applied to the membrane substrate for specific purposes. The chemistry of the RGO can also be altered to target whatever impurity or precious metals we seek to filter.

The other key benefit is being able to maintain consistency between the batches of membranes produced. This has allowed us to substantiate the results from the various tests.



Above are samples of our RGO thin film membranes. Darker shades indicate thicker number of layers of RGO.

ROYAL SOCIETY PRESENTATION

Associate Professor Mainak Majumder, a director of Ionic, presented at a Royal Society conference in London. Associate Professor Majumder is from the Department of Mechanical and Aerospace Engineering at Monash University and is the Group Leader of the Nanoscale Science and Engineering Laboratory (NSEL),

The scientific meeting, titled *'Nanostructured carbon membranes for breakthrough filtration applications: advancing the science, engineering and design'*, featured talks by the leading researchers on filtration from the UK, France, USA, Switzerland, Germany, South Korea and Australia.

Associate Professor Majumder spoke on *'Graphene-based fluidic systems: From compact micro/nano-fluidic devices to large area filtration membranes'.*

The world's oldest and most prestigious scientific society, presided over by the likes of Sir Isaac Newton and Sir Joseph Banks, The Royal Society presents a world attention-calling platform for the important topics of the age. In this case the concern was water purity and the way that carbon based membranes can efficiently desalinate seawater and treat wastewater. Associate Professor Majumder's team has made considerable advances in this area.

MINERAL EXPLORATION

SPENCER JOINT VENTURE (SER 75%) EL 5010
SOUTH AUSTRALIA

The Spencer area comprises 321 km² and is located on the west coast of Spencer Gulf on the Olympic Dam trend. This same trend is the home to some exceptional discoveries including Olympic Dam, Carrapateena, Prominent Hill, Mount Gunson, Wallaroo, Moonta and Hillside.

SER as operator of EL 5010 reported that a new Deed of Access had been approved. Access is granted till 12 September 2016 and can be further extended in line with future permit extensions.

MYALL CREEK (SER 50%) EL 5011
SOUTH AUSTRALIA

The Myall Creek Copper Project (EL5011) covers an area of 381 km² and is located on the southern Stuart Shelf between Whyalla and Port Augusta, a highly prospective part of the eastern margin of the Gawler Craton. The Myall Creek Project includes a 15 kilometre zone with anomalous copper shown in historic drilling.

Previous work indicates that mineralization is controlled by a lithological/chemical redox contrast which exists between the base of the Tapley Hill formation and an underlying unconformable contact between the two sedimentary/volcanic units. This unconformity continues to have a strong potential for high grade prospects.

The licence area is immediately west of the Torrens Hinge Zone.

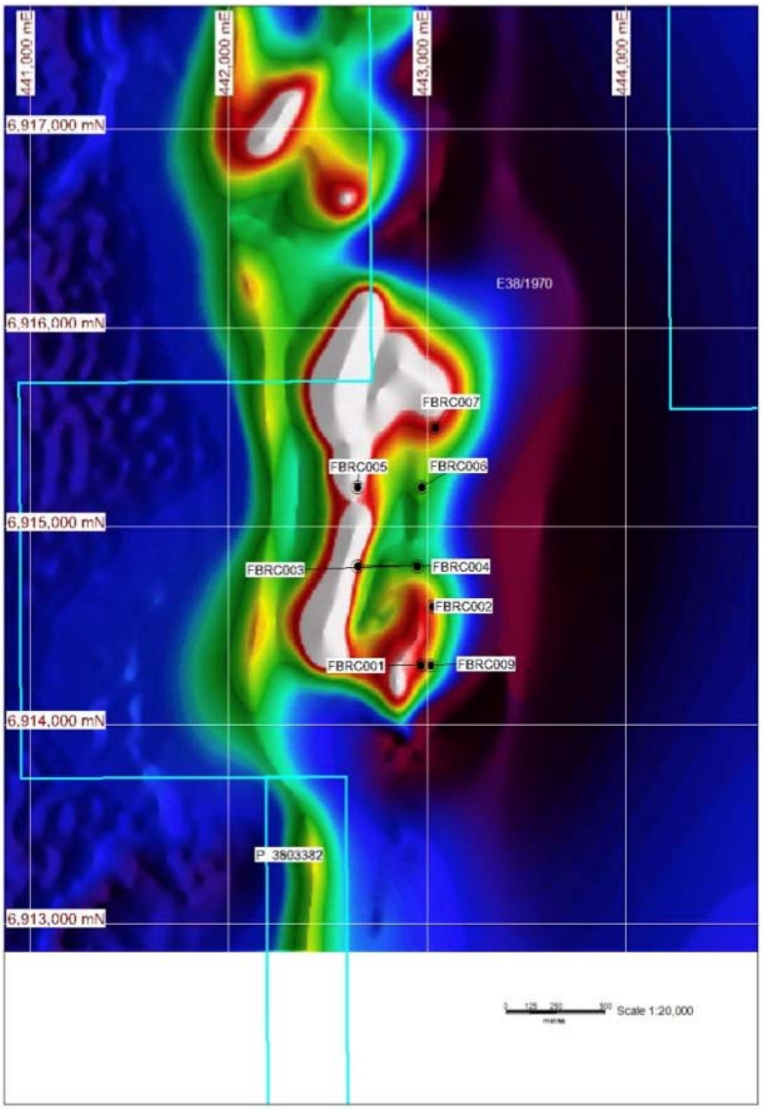
Technical assessment of the prospectively of the Myall Creek project for both Zambian style copper mineralization and the potential of Olympic Dam style IOCG mineralization at depth is ongoing.

With the recent $2m target development to the north of Myall Creek by the Department of State Development for the Deep Targets Task Force, SER is awaiting the findings from this work and will be looking to gauge the impact the work has on regional exploration and targeting and specifically the Myall Creek project

FALCON BRIDGE (SER 95%) E38/1970
WESTERN AUSTRALIA

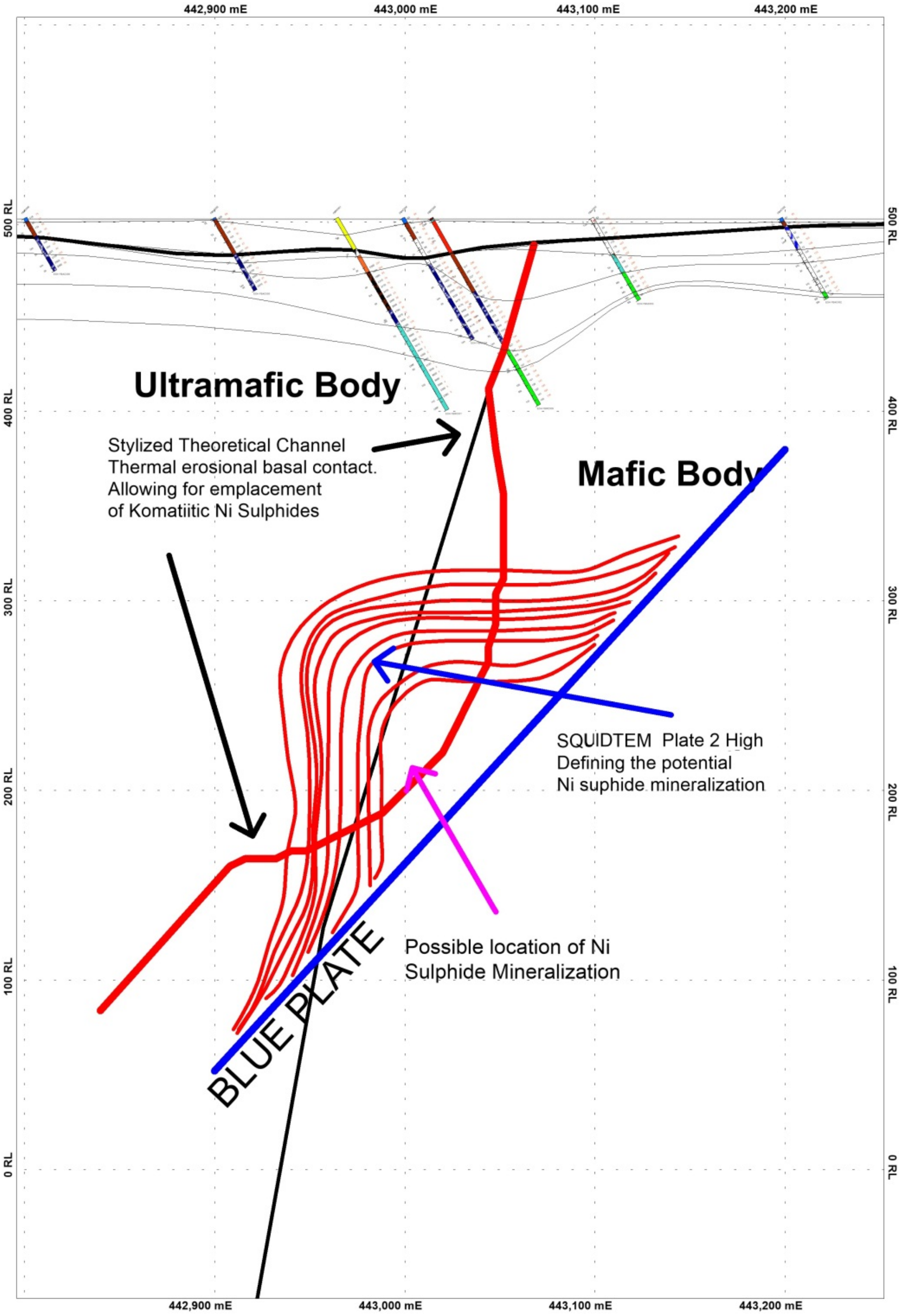
The Falcon Bridge tenement EL 38/1970 covers an area of 138.1 km² in the north eastern corner of Western Australia's Archaean Yilgarn Craton. The Falconbridge Ni sulphide project has undergone a significant review from geological, geochemical and geophysical perspective.

Located some 48km along/en echelon to an ultra-mafic bulge where recent drilling by others has encountered nickel sulphides. SER holds a 95% interest in E38-1970 on which is located a bulge in the ultramafic rock units (the TORO GRANDE anomaly) and shown on the below transient electromagnetic image (TEM).



Magnetics with RC Collar Map

As a result of data reviews by independent consulting geologists/geophysicists the following model of the Toro Grande mineralisation was published in SERs June 2014 quarterly (see map below) and shows, current drilling, the Squid TEM contours in red, the blue target plate defined by modelling the Squid contours and a stylized theoretical channel thermally eroded into underlying basalts by the overlying ultramafic sequence. This erosional channel allows for emplacement of Komatatic nickel sulphides elsewhere in Western Australia, however the presence of massive nickel sulphides at Toro Grande is unproven and remains an exploration target. Previous drilling at Toro Grande included published results for 7 holes with intersected down hole widths of 12-39m with grades between .41 to .69% Ni which are clearly not massive sulphides.



CASTERON (SER 5%) EL 5040
VICTORIA

As reported on 29 October 2009, SER entered into a sale and operating agreement with Encounter Minerals Pty Ltd. SER sold a 95% interest in the exploration licence for a 5% free carried interest for the first 5 years of the permit or the first $600,000 of expenditure on the work program, whichever occurs first.

Encounter Minerals completed a 5 hole drilling program. SER was advised that the results had been encouraging. Encounter Minerals is currently developing an extensive exploration program for the block. EL 5040 comprises 486 graticular sections and is located some 350 kilometres west of Melbourne, Victoria.

CORPORATE UPDATE

During the December 2014 quarter a tax consultant was engaged to review the tax positon and has confirmed over $23 million of operating tax loses, which could be utilised on profits from the sale of any of our investments.

SER's demerged its graphene subsidiary during the financial year. In keeping with its strategy of spinning out single focus companies, we believe this strategy will give our shareholders substantial upside and will help underpin the value in SER. On 31 July 2015, the Company announced the capital gains cost base allocation for the demerger and an implied market value for 80% of Ionic Industries amounting to $11,295,369.

The Company is well placed to receive substantial financial benefit from the demergers of Ionic Industries and the Uley Graphite project. SER is the major shareholder of Ionic Industries Limited and holds 20% of the issued capital of Ionic Industries. SER also is the major shareholder in Valence Industries Ltd (ASX: VXL) with 21,788,907 shares, escrowed till January 2016.

SER will also benefit from a 1.5% royalty from any graphite sales of Uley graphite by Valence Industries Limited.

SER also holds investments in Oil Basins Limited (ASX: OBL) 13,000,000 shares and Magnum Gas & Power Limited (ASX: MPE) 20,000,000 shares.

The Company continues to evaluate potential new projects.

INTERESTS IN MINING TENEMENTS

Mining Tenement	Location	Beneficial Percentage held
EL 5010	South Australia	75%
EL 5011	South Australia	50%
E38/1970	Western Australia	95%
EL 5040	Victoria	5%

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Strategic Energy Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors
The following persons were directors of Strategic Energy Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Glenister Lamont
Mr Peter Armitage
Mr Anthony Rechner
Mr Stuart Rechner (appointed as Alternate Director on 12 September 2014)
Mr Mark Muzzin (resigned as Managing Director 17 August 2014)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- Exploration for minerals in Australia

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $2,235,582 (30 June 2014: profit of $1,275,159).

The net assets of the consolidated entity decreased by $6,593,364 to $6,349,136 as at 30 June 2015 (2014: $12,942,500), largely due to the decrease in value of the company's investment in Valence Industries Limited (ASX: VXL) during the financial year and also the impairment of the carrying exploration expenditure for the company's Spencer project amounting to $1,325,619.

Working capital, being current assets less current liabilities, decreased by $1,098,423 to $1,236,204 (30 June 2014: $2,334,627). The consolidated entity had negative cash flows from operating activities for the period of $774,232 (30 June 2014: $678,283). The total net cash decrease during the financial year amounted to $1,444,360 (30 June 2014: positive cash flows of $354,532)

The review of operations preceding this report outlines the exploration activities and corporate matters for the year.

Significant changes in the state of affairs
On 22 June 2015 the company’s 100% owned subsidiary Ionic Industries Limited (formerly Graphitech Pty Ltd) was demerged from the consolidated entity following shareholder approval received at the company's general meeting of shareholders held on 9 June 2015. Strategic Energy Resources Limited (SER) maintains a shareholding of 20% in Ionic Industries Limited with the remaining 80% distributed to SER shareholders who held shares at the record date of 15 June 2015.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
The consolidated entity will continue to pursue its objective of maximising value of its investments held in exploration assets through continued exploration of areas of interest and sale of interests in permits held.

The consolidated entity's focus for the coming periods will be on advancing its exploration projects and reviewing additional potential exploration project acquisitions.

The consolidated entity will also focus on maintaining its investments in listed entities in particular Valence Industries Limited (ASX: VXL).

Environmental regulation

The consolidated entity holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. To the best of the Directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' report.

Information on directors

Name:	Mr Glenister Lamont
Title:	Non-Executive Chairman
Qualifications:	BEng Mining (Hons), MBA (IMD Switzerland) FAICD, FFin FAusIMM
Experience and expertise:	Mr Lamont is a professional non-executive Director. Recent roles include Managing Director and consultant for a range of resource companies. Previously, as a GM with Ashton Mining, he led strategy and commercial implementation of business development initiatives and managed all aspects of investor and corporate affairs. Prior to that, as an Executive Director at the leading European investment bank UBS Warburg, he conducted financial, technical and strategic evaluation of mining companies and participated in a wide range of corporate transactions. He has international mining experience in base metals, gold, coal and other commodities that has included experience as a mining engineer with Preussag in Germany as well as a rock mechanics engineer and mining engineer in South Africa for Goldfields of South Africa.
Other current directorships:	Golden Rim Resources Limited & Valence Industries Limited
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit & Risk Management Committee.
Interests in shares:	100,000 ordinary shares
Interests in options:	3,000,000 unlisted options exercisable at 2.32 cents on or before the 25 December 2016

Name:	Mr Mark M Muzzin (resigned as Managing Director on 17 August 2014)
Title:	Chief Executive Officer
Qualifications:	B.A.
Experience and expertise:	Mr Muzzin has had over 20 years of commercial experience and holds a B.A. degree from Latrobe University, Melbourne. His career commenced in the mid-eighties for a London stock broking firm and he has consulted for two of the major banks in Australia in the share custodian area. He has been involved in multiple capital raising activities for resource companies in Australia and has consulted to various oil/gas and minerals companies. Mr Muzzin holds a number of directorships in private companies and is a non-executive Director of ASX listed Ishine International Resources Limited. Mr Muzzin is a Member of the Petroleum Exploration Society of Australia.
Other current directorships:	Ishine International Resources Limited
Former directorships (last 3 years):	U Energy Limited (a wholly owned subsidiary of Kingston Resources Limited)
Special responsibilities:	None
Interests in shares:	12,000,000 fully paid ordinary shares
Interests in options:	10,000,000 unlisted options exercisable at 2.32 cents on or before the 25 December 2016

Name:	Mr Peter Armitage
Title:	Non-Executive Director
Qualifications:	FCA FAICD
Experience and expertise:	Peter Armitage began his professional career over 40 years ago with an international accounting firm, specialising in start-ups and work-outs. After qualification he was invited into partnership of a national firm that he maintained until he set up his own practice in 1978, of which he remains principal. Since the early 1980's he has been a Director of a number of listed exploration companies in both Australia and New Zealand concentrating on fiscal aspects of project modelling and procurement of capital. Recently he has been responsible for a number of successful IPOs supervising Due Diligence and Corporate Governance matters as well as attending to all compliance matters. Mr Armitage has also been involved in various consulting assignments in Peoples Republic of China, Canada, USA, Hong Kong, and UK for Fortune 500 companies.
Other current directorships:	Peak Oil & Gas Limited (appointed 17 August 2015)
Former directorships (last 3 years):	Oroya Mining Limited (resigned 5 July 2012)
Special responsibilities:	Chairman of the Audit & Risk Management Committee
Interests in shares:	200,560 fully paid ordinary shares
Interests in options:	3,000,000 unlisted options exercisable at 2.32 cents on or before the 25 December 2016

Name:	Mr Anthony Rechner
Title:	Technical Director
Qualifications:	BSc
Experience and expertise:	Anthony Rechner has over forty years' experience in Australia and overseas working in mineral and petroleum exploration and holds a Bachelor of Science degree in Geology and Physics from the University of Adelaide. Mr Rechner's role as Chairman and/or Managing Director of Windsor Resources NL, Brunswick NL and Geographe Resources Ltd resulted in these companies evolving from small explorers to major gold producers at Mount Percy, Galtee More and Chalice respectively. Mr Rechner also played a key role in the discovery and ongoing development of two mineral sands mines in Western Australia for Falcon Minerals Ltd. Previously a director of SER from 1991 to 2007 Mr Rechner was responsible for the acquisition of the Uley Graphite mine and the Spencer project.
Other current directorships:	Dakota Minerals Limited
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	23,650,051 fully paid ordinary shares
Interests in options:	10,000,000 unlisted options exercisable at 2.32 cents on or before the 25 December 2016

Name:	Mr Stuart Rechner
Title:	Alternate Director
Experience and expertise:	Mr. Stuart Rechner B.Sc., LLB serves as a Project Generation & Review Geologist at GB Energy Limited. Mr. Rechner served as Project and Exploration Geologist at GB Energy Limited. Mr. Rechner was an Australian Diplomat responsible for the resources sector with postings to Beijing and Jakarta. Most recently, he served as Senior Adviser for National Security and International Policy at the Department of Prime Minister and Cabinet. He worked with a junior mineral exploration company for several years before joining the Department of Foreign Affairs and Trade. He has been a Director of GB Energy Limited since November 20, 2013. Mr. Rechner holds degrees in both Geology and Law from the University of Western Australia and is a graduate of the Australian Institute of Company Directors.
Other current directorships:	Kingston Resources Limited and GB Energy Limited
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	23,650,051 fully paid ordinary shares (indirect interest in holdings from Anthony Rechner as detailed above)
Interests in options:	10,000,000 unlisted options exercisable at 2.32 cents on or before the 25 December 2016 (indirect interest in holdings from Anthony Rechner as detailed above)

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary
Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the Resources, technology, bioscience and biotechnology sector.

Melanie has over 23 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mr M Muzzin *	1	1	-	-
Mr G Lamont	5	5	1	1
Mr P Armitage	5	5	1	1
Mr A Rechner	5	5	-	-

* Mr Muzzin resigned as Managing Director on 17 August 2014 and became Chief Executive Officer.

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company.

Alignment to shareholders' interests:

- focuses on sustained growth in shareholder wealth, consisting of growth in share price and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers value;
- attracts and retains high calibre executives.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

For additional duties in assisting management beyond the normal time commitments of non-executive directors, non-executive directors are paid a per diem rate, with the amounts approved by other directors.

ASX Listing rules requires that the aggregate non-executive directors remuneration shall be determining periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2009, where the shareholders approved an aggregate remuneration of $300,000. No amendments have been made to the available non-executive director remuneration pool since that date.

Executive remuneration

The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

The long-term incentives ('LTI') includes long service leave and share-based payments.

Consolidated entity performance and link to remuneration
The remuneration of the Directors and executives are not linked to the performance, share price or earnings of the consolidated entity.

Non-executive Directors and executives have been granted options over shares in the current period. The recipients of options are responsible for growing the entity and increasing shareholder value. The options provide an incentive to the recipients to remain with the entity and to continue to enhance the group's value.

Voting and comments made at the company's 22 October 2014 Annual General Meeting ('AGM')
The company received 86.42% of 'for' votes in relation to its remuneration report for the year ended 30 June 2014. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2015	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Mr G Lamont	60,274	-	-	5,726	-	-	66,000
Mr P Armitage	40,275	-	-	3,725	-	-	44,000
Executive Directors:							
Mr A Rechner *	216,599	-	-	-	-	-	216,599
Other Key Management Personnel:							
Mr M Muzzin **	198,473	-	-	18,165	-	-	216,638
Ms M Leydin ***	90,000	-	-	-	-	-	90,000
Mr S Rechner ****	-	-	-	-	-	-	-
	605,621	-	-	27,616	-	-	633,237

* Fees paid to Tangram Pty Ltd in respect of Geological consulting services.
** Resigned as Managing Director on 17 August 2014 and became Chief Executive Officer.
*** Fees paid to Leydin Freyer Corp Pty Ltd in respect of Company Secretarial and accounting services
**** Mr Stuart Rechner was appointed alternate director on 12 September 2014, no fees were paid to Mr Rechner during the period.
***** Note superannuation rate of 9.5%.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2014	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Mr G Lamont	65,728	-	-	6,080	-	48,000	119,808
Mr P Armitage	43,819	-	-	3,969	-	48,000	95,788
Executive Directors:							
Mr M Muzzin	268,857	-	-	17,775	-	160,000	446,632
Mr A Rechner *	183,570	-	-	-	-	160,000	343,570
Other Key Management Personnel:							
Ms M Leydin **	103,500	-	-	-	-	16,000	119,500
	665,474	-	-	27,824	-	432,000	1,125,298

* Fees paid to Tangram Pty Ltd in respect of Geological consulting services.
** Fees paid to Leydin Freyer Corp Pty Ltd in respect of Company Secretarial and accounting services.
*** Note superannuation rate of 9.25%.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2015	2014	2015	2014	2015	2014
Non-Executive Directors:						
Mr G Lamont	100%	60%	-%	-%	-%	40%
Mr P Armitage	100%	50%	-%	-%	-%	50%
Executive Directors:						
Mr A Rechner	100%	53%	-%	-%	-%	47%
Other Key Management Personnel:						
Ms M Leydin	100%	87%	-%	-%	-%	13%
Mr M Muzzin	100%	64%	-%	-%	-%	36%

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Mark M Muzzin
Title:	Chief Executive Officer
Agreement commenced:	18 August 2014
Term of agreement:	30 calendar months from the commencement date
Details:	The Company may terminate the contract by giving six (6) months notice in writing or payment in lieu thereof, or a combination of notice and payment in lieu.

Name:	Mr Anthony Rechner
Title:	Technical Director
Agreement commenced:	5 April 2013
Term of agreement:	Contract is for a period of 3 years
Details:	Mr Rechner is contracted to provide geological and technical services to Strategic Energy Resources Limited, and is remunerated on a daily rate. The Company may terminate the agreement by giving six (6) months notice in writing. Mr Rechner can terminate the agreement by giving one (1) month's notice.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2015.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Number of options	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
24 October 2013	26,000,000	24 October 2013	25 December 2016	$0.0232**	$0.016
24 October 2013	1,000,000	24 January 2014	25 December 2016*	$0.0232**	$0.016

* The expiry date of these options are the earlier of 1 month following cessation of employment by Ms Leydin or 25 December 2016.
** Following the demerger of Ionic Industries Limited approved by shareholders on 9 June 2015 the exercise price of the options has been amended to $0.0232 (2.32 cents) per option.

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below:

Name	Number of options granted during the year 2015	Number of options granted during the year 2014	Number of options vested during the year 2015	Number of options vested during the year 2014
Mr M Muzzin	-	10,000,000	-	10,000,000
Glenister Lamont	-	3,000,000	-	3,000,000
Peter Armitage	-	3,000,000	-	3,000,000
Anthony Rechner	-	10,000,000	-	10,000,000
Melanie Leydin	-	1,000,000	-	1,000,000
Stuart Rechner *	-	-	-	-

* Mr Stuart Rechner has an indirect interest in the holdings of Mr Anthony Rechner.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2015 are summarised below:

	2015 $	2014 $	2013 $	2012 $	2011 $
Revenue	156,982	2,648,381	2,705,619	120,693	1,005,736
Profit before income tax	(2,325,582)	1,275,159	(266,053)	(1,866,425)	(703,491)
Profit after income tax	(2,325,582)	1,275,159	(266,053)	(1,866,425)	(703,491)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2015	2014	2013	2012	2011
Share price at financial year end ($)	0.028	0.040	0.030	0.030	0.020
Basic earnings per share (cents per share)	(0.641)	0.366	0.270	(0.550)	(0.210)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr M Muzzin	13,500,000	-	-	(1,500,000)	12,000,000
Mr G Lamont	100,000	-	-	-	100,000
Mr P Armitage	200,560	-	-	-	200,560
Mr A Rechner	26,525,880	-	-	(2,875,829)	23,650,051
Mr S Rechner *	-	-	-	-	-
	40,326,440	-	-	(4,375,829)	35,950,611

* Mr Stuart Rechner has an indirect interest in the holdings of Mr Anthony Rechner.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mr M Muzzin	10,000,000	-	-	-	10,000,000
Mr G Lamont	3,000,000	-	-	-	3,000,000
Mr P Armitage	3,000,000	-	-	-	3,000,000
Mr A Rechner	10,000,000	-	-	-	10,000,000
Ms M Leydin	1,000,000	-	-	-	1,000,000
Mr S Rechner *	-	-	-	-	-
	27,000,000	-	-	-	27,000,000

* Mr Stuart Rechner has an indirect interest in the holdings of Mr Anthony Rechner.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Strategic Energy Resources Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
24 October 2013*	25 December 2016	$0.0232	27,000,000

* Following the demerger of Ionic Industries Limited approved by shareholders on 9 June 2015 the exercise price of the options has been amended to $0.0232 (2.32 cents) per option.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Strategic Energy Resources Limited issued on the exercise of options during the year ended 30 June 2015 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of Grant Thornton Audit Pty Ltd
There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 24.

Auditor
Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Glenister Lamont
Chairman

4 September 2015
Melbourne

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Auditor's Independence Declaration
To the Directors of Strategic Energy Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Strategic Energy Resources Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 4 September 2015

Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Revenue from continuing operations	5	156,982	2,648,381
Other income	6	2,831	-
Expenses			
Impairment on AFS financial asset	13	(217,000)	(70,000)
Employee benefits expense	7	(275,238)	(227,200)
Consultant expenses		(151,000)	(164,330)
Depreciation expense	7	(264)	(2,936)
Loss on sale of assets		-	(3,508)
Corporate expenses		(233,459)	(78,076)
Occupancy expenses		(1,347)	(45,771)
Legal expenses		(75,819)	(21,660)
Insurance expenses		(14,455)	(30,983)
Exploration expenditure written off	7	(1,365,940)	(110,557)
Other expenses		(60,873)	(95,088)
Monash agreement research and development costs		-	(75,113)
Share based payments		-	(448,000)
Profit/(loss) before income tax expense		(2,235,582)	1,275,159
Gain on loss of control	9	405,076	-
Loss from discontinued operations	9	(405,076)	-
Income tax expense	8	-	-
Profit/(loss) after income tax expense for the year attributable to the owners of Strategic Energy Resources Limited		(2,235,582)	1,275,159
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Gain on the revaluation of available-for-sale financial assets, net of tax		-	4,575,671
Loss on the revaluation of available-for-sale financial assets, net of tax		(4,357,782)	-
Other comprehensive income for the year, net of tax		(4,357,782)	4,575,671
Total comprehensive income for the year attributable to the owners of Strategic Energy Resources Limited		(6,593,364)	5,850,830
		Cents	**Cents**
Basic earnings per share	33	(0.641)	0.366
Diluted earnings per share	33	(0.641)	0.366

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

Strategic Energy Resources Limited
Statement of financial position
As at 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Assets			
Current assets			
Cash and cash equivalents	10	996,627	2,440,987
Trade and other receivables	11	342,612	15,712
Other	12	6,585	32,770
Total current assets		1,345,824	2,489,469
Non-current assets			
Available-for-sale financial assets	13	4,694,670	9,003,452
Property, plant and equipment	14	-	4,064
Exploration and evaluation	15	396,052	1,607,722
Other	16	22,210	21,717
Total non-current assets		5,112,932	10,636,955
Total assets		6,458,756	13,126,424
Liabilities			
Current liabilities			
Trade and other payables	17	89,041	88,264
Employee benefits	18	20,579	66,578
Total current liabilities		109,620	154,842
Non-current liabilities			
Employee benefits	19	-	29,082
Total non-current liabilities		-	29,082
Total liabilities		109,620	183,924
Net assets		6,349,136	12,942,500
Equity			
Issued capital	20	28,833,224	28,833,224
Reserves	21	(23,198,192)	(18,824,410)
Retained profits		714,104	2,933,686
Total equity		6,349,136	12,942,500

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

Strategic Energy Resources Limited
Statement of changes in equity
For the year ended 30 June 2015

Consolidated	Contributed equity $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2013	28,833,224	1,658,527	(23,848,081)	6,643,670
Profit after income tax expense for the year	-	1,275,159	-	1,275,159
Other comprehensive income for the year, net of tax	-	-	4,575,671	4,575,671
Total comprehensive income for the year	-	1,275,159	4,575,671	5,850,830
Transactions with owners in their capacity as owners:				
Share-based payments (note 34)	-	-	448,000	448,000
Balance at 30 June 2014	28,833,224	2,933,686	(18,824,410)	12,942,500

Consolidated	Contributed equity $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2014	28,833,224	2,933,686	(18,824,410)	12,942,500
Loss after income tax expense for the year	-	(2,235,582)	-	(2,235,582)
Other comprehensive income for the year, net of tax	-	-	(4,357,782)	(4,357,782)
Total comprehensive income for the year	-	(2,235,582)	(4,357,782)	(6,593,364)
Transactions with owners in their capacity as owners:				
Lapse of options	-	16,000	(16,000)	-
Balance at 30 June 2015	28,833,224	714,104	(23,198,192)	6,349,136

The above statement of changes in equity should be read in conjunction with the accompanying notes

Strategic Energy Resources Limited
Statement of cash flows
For the year ended 30 June 2015

	Note	Consolidated 2015 $	2014 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(838,392)	(783,169)
Interest received		64,160	84,216
Joint Venture Management fee received		-	20,670
Net cash used in operating activities	31	(774,232)	(678,283)
Cash flows from investing activities			
Payments for equity investments		(200,000)	-
Payments for exploration and evaluation	15	(154,270)	(1,827,307)
Loans advanced to associate		-	(59,803)
Proceeds from repayment of loan		-	351,781
Proceeds from joint venture partner		-	408,144
Proceeds from sale of fixed assets		6,000	-
Proceeds from sale of tenement assets		-	2,160,000
Net cash from/(used in) investing activities		(348,270)	1,032,815
Cash flows from financing activities			
Net cash from financing activities		-	-
Net cash flows from discontinued operations	9	(321,858)	-
Net increase/(decrease) in cash and cash equivalents		(1,444,360)	354,532
Cash and cash equivalents at the beginning of the financial year		2,440,987	2,086,455
Cash and cash equivalents at the end of the financial year	10	996,627	2,440,987

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

Note 1. General information

The financial statements cover Strategic Energy Resources Limited as a consolidated entity consisting of Strategic Energy Resources Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Strategic Energy Resources Limited's functional and presentation currency.

Strategic Energy Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 100 Albert Road
South Melbourne, VIC 3205

The financial statements were authorised for issue, in accordance with a resolution of directors, on 4 September 2015. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The Group had net operating cash outflows for the year ended 30 June 2015 of $774,232 and a closing cash balance of $996,627 at 30 June 2015. The going concern of the consolidated entity is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to monitor the ongoing funding requirements of the consolidated entity. The Directors are confident that sufficient funds can be secured if required by a combination of capital raising and sale of assets to enable the consolidated entity to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

Note 2. Significant accounting policies (continued)

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Strategic Energy Resources Limited ('company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Strategic Energy Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Management Fees
Management fees receivable as operator of exploration tenements are recognised when they become due from the counter-party. All management fees are billed in accordance with relevant joint operation agreements.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Discontinued operations
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Note 2. Significant accounting policies (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

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 carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Motor Vehicle	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 2. Significant accounting policies (continued)

Investments in associates
Associates are those entities which the Group is able to exert significant influence but which are not subsidiaries.

Investments in associates are accounted for using the equity method.

Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

Investments in joint ventures
A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Any goodwill arising on the acquisition of the Group's interest in a joint venture is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

When a group entity transacts with a joint venture of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Exploration and evaluation assets
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Annual leave

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. Annual leave is included in ‘other long-term benefit’ and discounted when calculating the leave liability as the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

Long service leave

The liability for long service leave not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on ‘high quality’ corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 2. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

Note 2. Significant accounting policies (continued)

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Strategic Energy Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018. The company has made a preliminary assessment of the changes and does not expect any material impact on implementation.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Carrying value of Ionic Industries Limited Investment
The consolidated entity has reviewed the carrying value of its 20% investment in Ionic Industries Limited during the period and as a result the investment has been valued at nil at demerger date as the company value cannot yet be reliably determined with reference to an "Active Market" nor reference to any independent valuation of the Intellectual Property held by Ionic Industries. In addition, the consolidated entity has in place a bridging loan agreement with Ionic Industries Limited. The amount is unsecured and recovery is dependent upon the ability of Ionic Industries Limited to raise funding from capital raisings and investment in its projects from third parties. Refer to Notes 9 and 11 for further information.

Note 4. Operating segments

Identification of reportable operating segments
The consolidated entity currently operates and derives revenue in one segment following the Ionic Industries Limited demerger which was completed on the 22 June 2015. Prior to the demerger the consolidated entity operated in two segments, the first as an explorer for base precious metals, with the emphasis on copper, gold and uranium mineralisation within Australia. The second been graphene research and development, where it conducted a scoping study for the production of graphene oxide with SuperSand through the recently demerged Ionic Industries Limited. In previous years the consolidated entity operated in oil and gas exploration in addition to base metals, however, it disposed of all assets in relation to oil and gas exploration in prior periods in order to focus operations on base metals.

On 22 June 2015 the consolidated entity completed the demerger of Ionic Industries Limited (formerly Graphitech Pty Ltd) as approved by shareholders at the general meeting held on 9 June 2015. The consolidated entity will continue to operate as an explorer for base precious metals.

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The board reviews the consolidated entity as two operating segments, been mineral exploration within Australia and graphene research and development.

The company also spent $216,617 in relation to its research and development on graphene during the period.

At reporting date the consolidated entity held assets in relation to its exploration expenditure activities in the amount of $396,052 (30 June 2014: $1,607,722). A total of $1,365,940 in exploration expenditure was impaired during the period (30 June 2014: $110,557), largely from the impairment of the consolidated entity's Spencer drilling project.

Revenue and assets by geographical area
All assets and liabilities and operations are based in Australia.

Note 5. Revenue

	Consolidated	
	2015 $	2014 $
From continuing operations		
Fees earned as operator of joint operations	671	20,670
Interest revenue	56,878	99,321
Sale of tenement assets	66,000	2,504,850
R&D tax refund received	33,433	23,540
	156,982	2,648,381
Revenue from continuing operations	156,982	2,648,381

During the financial year, the Company entered into an agreement with Oil Basins Limited for the sale of the consolidated entity's interest in exploration licence VIC P/47. The consideration received was 6,000,000 fully paid ordinary shares in OBL, in which the fair value of these shares at 9 July 2014 (date of transaction) was $0.011 (1.1 cents) per share.

Note 5. Revenue (continued)

As part of consolidated entity's joint venture agreement with U Energy Pty Ltd, the entity received management fees totalling $671 during the current period. The company received interest revenue during the current period amounting to $56,878 from both cash on deposits and cash at bank. As part of the Loan agreement with Ionic Industries Limited (formerly Graphitech Pty Ltd), the company received $8,798 as interest on this loan.

Note 6. Other income

	Consolidated 2015 $	Consolidated 2014 $
Other	631	-
Gain on sale of fixed asset	2,200	-
Other income	2,831	-

Note 7. Expenses

	Consolidated 2015 $	Consolidated 2014 $
Profit/(loss) before income tax includes the following specific expenses:		
Exploration expenditure written off	1,365,940	110,557
Depreciation	264	2,936
	1,366,204	113,493
Operating lease payments	-	45,771
Share-based payments expense		
Share-based payments expense	-	448,000
Research costs		
Research costs	-	75,113
Employee benefits associated costs	275,238	227,200

Note 8. Income tax benefit

	Consolidated 2015 $	Consolidated 2014 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	(2,235,582)	1,275,159
Tax at the statutory tax rate of 30%	(670,675)	382,548
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payments	-	134,400
Other permanent differences	56,781	14,554
Movement in provisions	(22,524)	(95,413)
Accrued expenses	1,964	(5,385)
Other timing differences	387,954	25,059
	(246,500)	455,763

Note 8. Income tax benefit (continued)

Prior year tax losses not recognised now recouped	-	(455,763)
Income tax losses carried forward not taken up as a benefit	246,500	-
Income tax expense	-	-

	Consolidated	
	2015 $	2014 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	24,398,395	23,502,141
Potential tax benefit @ 30%	7,319,519	7,050,642

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The taxation benefits of tax losses and temporary difference not brought to account will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
(iii) no change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

It is noted that the 2014 Annual Report included incorrect disclosure surrounding the deferred tax position of the Company and this disclosure has been corrected in this Annual Report.

	Consolidated	
	2015 $	2014 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	7,319,518	7,050,642
Temporary differences	(198,345)	(630,839)
Total deferred tax assets not recognised	7,121,173	6,419,803

Following a full review of the company's carried forward tax loss position the company has undertaken a detailed analysis of the continuity of ownership provisions. As such the prior year tax balance has been amended to reflect the correct tax loss position of the group.

Note 9. Discontinued operations

Description
On 22 June 2015 the consolidated entity demerged 80% of Ionic Industries Limited (Formerly Graphitech Pty Ltd) ("Ionic") by way of an in-specie distribution of Ionic shares to existing shareholders following shareholder approval received at the Company's general meeting of shareholders held on the 9 June 2015. Each eligible shareholder received 1 Ionic share for each share held in the consolidated entity.

The company determined that the cost base of the shares for capital gains tax purposes and announced to the market on the 31 July 2015. The implied value based on the 5 day VWAP methodology before and after the demerger resulted in a value of 3.24 cents per Ionic share. On this basis the 20% shareholding in Ionic equates to $2,823,842.

For accounting purposes the value of the demerged entity has been taken as $nil at demerger date as the company value cannot yet be reliably determined with reference to an “Active Market” nor reference to any independent valuation of the Intellectual Property held by Ionic Industries. As such, The Directors have not placed a value on this investment until such time as the shares in Ionic can be valued through reference to a liquidity transaction of Ionic or a listing on the ASX or equivalent.

Following the demerger of Ionic Industries Limited the consolidated entity now holds a 20% interest, however the consolidated entity is no longer in a position to significantly influence the operations of Ionic Industries Limited as there is no longer power to participate in the financial or operating decisions of the entity. As a result, the investment has not been reported as an associate but recognised as an ‘Available for sale financial asset’.

Financial performance information

	Consolidated	
	2015 $	2014 $
Corporate Expenses	(59,519)	-
Research and development expenditure	(216,617)	-
Employee Benefit expenses	(104,873)	-
Finance Expenses	(8,798)	-
Other expenses	(15,269)	-
Total expenses	(405,076)	-
Loss before income tax expense	(405,076)	-
Income tax expense	-	-
Loss after income tax expense	(405,076)	-
Gain on sale before income tax (refer to reconciliation below)	405,076	-
Income tax expense	-	-
Gain on disposal after income tax expense	405,076	-
Profit after income tax expense from discontinued operations	-	-

Cash flow information

	Consolidated	
	2015 $	2014 $
Net cash used in investing activities	(321,858)	-

Note 9. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated 2015 $	Consolidated 2014 $
Trade and other receivables	17,564	-
Property, plant and equipment	26,167	-
Total assets	43,731	-
Trade and other payables	448,807	-
Total liabilities	448,807	-
Net liabilities	(405,076)	-

Details of the disposal

	Consolidated 2015 $	Consolidated 2014 $
Carrying amount of net liabilities disposed	405,076	-
Investment in Ionic Industries Limited	-	-
	-	-
Gain on disposal before tax income	405,076	-
Income tax expense	-	-
Gain on disposal after income tax	405,076	-

Note 10. Current assets - cash and cash equivalents

	Consolidated 2015 $	Consolidated 2014 $
Cash at bank	996,627	168,191
Cash on deposit	-	2,272,796
	996,627	2,440,987

Cash on deposits represents short term deposits.

Note 11. Current assets - trade and other receivables

	Consolidated 2015 $	Consolidated 2014 $
Loan - Ionic Industries Limited	330,656	-
GST receivable	11,956	15,712
	342,612	15,712

Due to the short term nature of the receivables, their carrying value is assumed to be approximately their fair value. No collateral or security is held. The consolidated entity has financial risk management policies in place to ensure that all receivable are received within the credit timeframe.

Note 11. Current assets - trade and other receivables (continued)

The consolidated entity has in place a bridging loan agreement with Ionic Industries Limited (Formerly Graphitech Pty Ltd), a company in which the consolidated entity holds a 20% share. At 30 June 2015 the consolidated entity had advanced $330,656 inclusive of accrued interest. The amount is unsecured and recovery is dependent upon the ability of Ionic Industries Limited to raise funding from capital raisings and investment in its projects from third parties. As the consolidated entity holds a 20% stake in Ionic Industries Limited, the bridging loan agreement is strategic in that it is providing funding to enable Ionic Industries Limited to maximise its opportunity for exploiting its graphene projects. Accordingly the risk related to this loan has been considered by the directors in conjunction with its investment in Ionic Industries Limited. The terms of the bridging loan agreement state that the loan is to repaid in full by Ionic Industries Limited on or before 31 December 2015 or such other date as agreed by the two companies.

Note 12. Current assets - other

	Consolidated	
	2015 $	2014 $
Accrued interest	-	16,572
Prepayments	6,585	6,879
Security deposits	-	9,319
	6,585	32,770

Note 13. Non-current assets - available-for-sale financial assets

	Consolidated	
	2015 $	2014 $
Investment in Oil Basins Limited (i)	39,000	70,000
Investment in Valence Industries Limited (ii)	4,575,670	8,933,452
Investment in Magnum Gas & Power Limited (iii)	80,000	-
Investment in Ionic Industries Limited (iv)	-	-
	4,694,670	9,003,452

Reconciliation
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

	2015 $	2014 $
Opening fair value	9,003,452	-
Additions	200,000	-
Reclassification of investments previously accounted for using the equity method	-	4,357,781
Revaluation increments	(4,357,782)	4,575,671
Acquired as consideration for sale of assets	66,000	140,000
Impairment of assets	(217,000)	(70,000)
Closing fair value	4,694,670	9,003,452

Note 13. Non-current assets - available-for-sale financial assets (continued)

(i) Further investment in Oil Basins Limited was the result of the disposal of the consolidated entity's 25% interest in petroleum exploration permit VIC P/47 on 3 July 2014. The consideration received was 6,000,000 fully paid ordinary shares in Oil Basins Limited (ASX: OBL).

(ii) On 20 December 2013, it was announced that Valence Industries Limited had successfully completed its Placement and Rights Issue capital raising, raising $6.73 million. Subsequent to 31 December 2013, the fully paid ordinary shares of VXL were listed on the ASX. As a result of the completion of the Placement and Rights Issue, the consolidated entity's holding in VXL has been significantly diluted. Consequently the consolidated entity is no longer in a position to significantly influence over the operations of VXL, and the investment has been reclassified to available-for-sale financial assets.

(iii) The consolidated entity currently holds 20,000,000 fully paid ordinary shares in Magnum Gas & Power Limited (ASX: MPE) which were acquired during the period.

Investments in OBL, VXL and MPE held by the consolidated entity at fair value are valued in accordance AASB 13, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair values of the financial assets held have been determined by reference to the quoted price on the ASX at 30 June 2015 and 30 June 2014. In accordance with AASB 139, available-for-sale financial assets (being OBL and MPE) have been impaired through the statement of profit and loss and other comprehensive income due to the nature of the significant and prolonged decrease in the valuation of the assets.

On 22 June 2015, the consolidated entity demerged Ionic Industries Limited (formerly Graphitech Pty Ltd) (the "Demerger"). As a result of the Demerger, 80% of Ionic Industries Limited was issued as an in specie distribution to eligible shareholders of the consolidated entity and the remaining 20% was retained by the consolidated entity.

(i) The company's investment in Ionic Industries Limited has been valued at $Nil in accordance AASB 13, using Level 3 of the fair value hierarchy- inputs for the asset or liability that are not based on observable market data (unobservable inputs) as the investment cannot be reliably measured.

The company determined that the cost base of the shares for capital gains tax purposes and announced to the market on the 31 July 2015. The implied value based on the 5 day VWAP methodology before and after the demerger resulted in a value of 3.24 cents per Ionic share. On this basis the 20% shareholding in Ionic equates to $2,823,842.

Note 14. Non-current assets - property, plant and equipment

	Consolidated	
	2015 **$**	**2014** **$**
Plant and equipment - at cost	-	121,306
Less: Accumulated depreciation	-	(117,242)
	-	4,064

Note 14. Non-current assets - property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant & Equipment $	Mine properties & capital works $	Total $
Balance at 1 July 2013	5,609	-	5,609
Additions	5,000	-	5,000
Disposals	(100)	-	(100)
Write off of assets	(3,509)	-	(3,509)
Depreciation expense	(2,936)	-	(2,936)
Balance at 30 June 2014	4,064	-	4,064
Additions	-	25,000	25,000
Disposals	(6,000)	-	(6,000)
Gain on sale of motor vehicle	2,200	-	2,200
Transfers in/(out) (discontinued operations)	-	(25,000)	(25,000)
Depreciation expense	(264)	-	(264)
Balance at 30 June 2015	-	-	-

Note 15. Non-current assets - exploration and evaluation

	Consolidated	
	2015 $	**2014 $**
Exploration and evaluation - at cost	396,052	1,607,722

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Exploration $	Total $
Balance at 1 July 2013	334,265	334,265
Expenditure during the year	1,792,158	1,792,158
Disposals	(408,144)	(408,144)
Write off of assets	(110,557)	(110,557)
Balance at 30 June 2014	1,607,722	1,607,722
Expenditure during the year	154,270	154,270
Impairment of assets	(1,365,940)	(1,365,940)
Balance at 30 June 2015	396,052	396,052

A review of the company's exploration licenses was been undertaken at the end of the financial year and management made the decision to impair the carrying value of exploration expenditure in the amount of $1,365,940. The major impairment expense relates to the South Australian Spencer exploration drilling project which account for $1,325,619 of the total impairment amount. The drilling program undertaken did not provide further viable exploration or development opportunities and as such costs associated with this campaign have been impaired.

Note 16. Non-current assets - other

	Consolidated 2015 $	Consolidated 2014 $
Bank deposit	22,210	21,717

Interest has accrued on the bank deposit of $20,000 lodged as security over a credit card facility.

Note 17. Current liabilities - trade and other payables

	Consolidated 2015 $	Consolidated 2014 $
Trade payables	57,621	54,878
Sundry payables and accrued expenses	31,420	33,386
	89,041	88,264

Refer to note 23 for further information on financial instruments.

Note 18. Current liabilities - employee benefits

	Consolidated 2015 $	Consolidated 2014 $
Annual leave	8,859	66,578
Long service leave	11,720	-
	20,579	66,578

Note 19. Non-current liabilities - employee benefits

	Consolidated 2015 $	Consolidated 2014 $
Long service leave	-	29,082

Note 20. Equity - issued capital

	Consolidated 2015 Shares	2014 Shares	2015 $	2014 $
Ordinary shares - fully paid	348,622,501	348,622,501	28,833,224	28,833,224

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 20. Equity - issued capital (continued)

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The entity does not have a defined share buy-back plan.

There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via equity or joint ventures with other companies.

The consolidated entity is not subject to any externally imposed capital requirements.

Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a quarterly basis.

The capital risk management policy remains unchanged from the 30 June 2014 Annual Report.

Note 21. Equity - reserves

	Consolidated	
	2015 $	2014 $
Available-for-sale reserve	217,889	4,575,671
Options reserve	432,000	448,000
Demerger Reserve	(23,848,081)	(23,848,081)
	(23,198,192)	(18,824,410)

Available-for-sale reserve
The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Options reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Demerger reserve
This reserve is used to recognise the in-specie distribution to shareholders as a result of the demerger of Valence Industries Limited (formerly Strategic Graphite Limited and Tarcoola Gold Limited) on 27 April 2012.

Note 21. Equity - reserves (continued)

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Revaluation reserve surplus $	Option reserve $	Demerger reserve $	Total $
Balance at 1 July 2013	-	-	(23,848,081)	(23,848,081)
Revaluation - gross	4,575,671	-	-	4,575,671
Share-based payments	-	448,000	-	448,000
Balance at 30 June 2014	4,575,671	448,000	(23,848,081)	(18,824,410)
Fair value loss on available-for-sale financial assets	(4,357,782)	-	-	(4,357,782)
Lapse of options	-	(16,000)	-	(16,000)
Balance at 30 June 2015	217,889	432,000	(23,848,081)	(23,198,192)

Note 22. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 23. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity is not exposed to foreign currency risk.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk
The consolidated entity is exposed to price risk in relation to the shares that it holds in other listed entity's.

Consolidated - 2015	Average price increase % change	Average price increase Effect on equity	Average price decrease % change	Average price decrease Effect on equity
Shares in Listed Entities	50%	2,347,335	50%	(2,347,335)

Note 23. Financial instruments (continued)

Consolidated - 2014	Average price increase % change	Average price increase Effect on equity	Average price decrease % change	Average price decrease Effect on equity
Shares in Listed Entities	50%	4,501,726	50%	(4,502,726)

Interest rate risk
The consolidated entity is not exposed to significant interest rate risk as deposits are held with established banks with interest rates that are in line with the RBA and other bank rates.

As at the reporting date, the consolidated entity had the following variable interest rates:

	2015		2014	
Consolidated	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash at bank and in hand	2.00%	996,627	2.50%	168,191
Cash on deposit	2.50%	-	3.55%	2,272,796
Net exposure to cash flow interest rate risk		996,627		2,440,987

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash at bank and 100 basis points on cash on deposit for the 2014 and 2015 financial years. The impact would not be material on bank balances held at 30 June 2015. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

	Basis points increase			Basis points decrease		
Consolidated - 2015	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash at bank	50	4,983	4,983	(50)	(4,983)	(4,983)
Cash on deposit	100	-	-	(100)	-	-
		4,983	4,983		(4,983)	(4,983)

	Basis points increase			Basis points decrease		
Consolidated - 2014	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash at bank	50	841	841	(50)	(841)	(841)
Cash on deposit	100	22,728	22,728	(100)	(22,728)	(22,728)
		23,569	23,569		(23,569)	(23,569)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Note 23. Financial instruments (continued)

The consolidated entity has in place a bridging loan agreement with Ionic Industries Limited (Formerly Graphitech Pty Ltd), a company in which the consolidated entity holds a 20% share. At 30 June 2015 the consolidated entity had advanced $330,656 inclusive of accrued interest. The amount is unsecured and recovery is dependent upon the ability of Ionic Industries Limited to raise funding from capital raisings and investment in its projects from third parties. As the consolidated entity holds a 20% stake in Ionic Industries Limited, the bridging loan agreement is strategic in that it is providing funding to enable Ionic Industries Limited to maximise its opportunity for exploiting its graphene projects. Accordingly the risk related to this loan has been considered by the directors in conjunction with its investment in Ionic Industries Limited.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 24. Key management personnel disclosures

Directors
The following persons were directors of Strategic Energy Resources Limited during the financial year:

Mr G Lamont (Non-Executive Chairman)	
Mr P Armitage (Non-Executive Director)	
Mr A Rechner (Technical Director)	
Mr S Rechner (Alternate Director)	(appointed 12 September 2014)
Mr M Muzzin (Chief Executive Officer)	(resigned as Managing Director on 17 August 2014 and appointed as Chief Executive Officer)

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr M Muzzin (Chief Executive Officer)	(resigned as Managing Director on 17 August 2014 and appointed as Chief Executive Officer)
Ms M Leydin (Company Secretary)	

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2015 $	2014 $
Short-term employee benefits	605,620	665,474
Post-employment benefits	27,617	27,824
Share-based payments	-	432,000
	633,237	1,125,298

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	Consolidated 2015 $	Consolidated 2014 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	38,000	20,500

Remuneration of auditors includes review fees and fees accrued for the 2015 financial year end audit for the Spencer Joint Venture accounts $2,000 (2014: $2,000).

Note 26. Commitments

	Consolidated 2015 $	Consolidated 2014 $
Exploration Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	687,234	173,000

In order to maintain current rights to tenure to exploration and mining tenements, the consolidated entity has the above exploration expenditure requirements up until expiry of leases. These obligations, which may be varied from time to time and which are subject to renegotiation upon expiry of the lease are not provided for in the financial report and are payable.

Within the mineral industry it is common practice for companies to farm-out, transfer or sell a portion of their exploration rights to third parties or to relinquish some exploration and mining tenements altogether, and as a result obligations will be significantly reduced or extinguished altogether. During prior years the Company concluded a number of farm-out agreements which resulted in the Company only being responsible for a share of the work programs. The farm-in partners also expended funds on the permits during the year which resulted in work programs for certain years being met.

During the financial year, the company completed sale of its oil and gas exploration permit VIC/P47 to Oil Basins Limited (ASX: OBL) and as such extinguishing the company's oil and gas exploration commitment. The company received 6 million shares in OBL shares as consideration for this permit.

Note 27. Related party transactions

Parent entity
Strategic Energy Resources Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 24 and the remuneration report in the directors' report.

Note 27. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2015 $	Consolidated 2014 $
Other income:		
Interest received from associate	-	11,986
Other income from other related party	671	20,670
Sale of motor vehicle to Stuart Rechner	6,000	-

Transactions with Directors or Director Related Entities

Mr M Muzzin a former non-executive director of U Energy Pty Ltd which holds an interest in EL 5010 - Spencer (25%) and EL 5011 - Myall Creek (50%). Strategic Energy Resources Limited holds the balance of the interests in these tenements. Mr Muzzin and Mr A Rechner are also significant shareholders of its parent Company, Kingston Resources Limited (ASX: KSN).

Strategic Energy Resources Limited receives a management fee for operating the joint venture amounting to 5% of administration costs. The consolidated entity charged $671 during the current financial year (2014: $20,670).

During previous the financial year, the Directors of the consolidated entity were also Directors of Valence Industries Limited (ASX: VXL). As part of their appointment, Directors fees were accrued and payable upon successful listing of VXL amounting to $24,310 for Mr Mark Muzzin, Mr Antony Rechner and Mr Peter Armitage and $36,465 for Mr Glenister Lamont. Mr Glenister Lamont remains a Director of Valance Industries Limited.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
During the current financial year the company sold a motor vehicle to a member of Key Management Personnel for a sum of $6,000. This transaction was carried out on an arm's length basis.

Terms and conditions
All transactions with related parties are entered into on normal commercial terms and conditions.

Note 28. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2015 $	Parent 2014 $
Profit/(loss) after income tax	(2,235,582)	1,275,159
Total comprehensive income	(6,593,364)	5,850,830

Note 28. Parent entity information (continued)

Statement of financial position

	Parent 2015 $	Parent 2014 $
Total current assets	1,345,807	2,510,419
Total assets	6,458,756	13,125,674
Total current liabilities	109,620	154,092
Total liabilities	109,620	183,174
Equity		
Issued capital	28,833,225	28,833,225
Available-for-sale reserve	217,889	4,575,671
Options reserve	432,000	448,000
Accumulated losses	(23,133,978)	(20,914,396)
Total equity	6,349,136	12,942,500

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 2014 and 2015.

Contingent liabilities
The parent entity had no contingent liabilities as at 2014 and 2015.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 2014 and 2015.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2015 %	Ownership interest 2014 %
Strategic Nickel Pty Ltd	Australia	100.00%	100.00%
Ionic Industries Limited (formerly Graphitech Pty Ltd) *	Australia	-%	100.00%

* As approved by shareholders at the company's General Meeting held on 9 June 2015 Ionic Industries Limited was subsequently demerged on the 22 June 2015 from the consolidated entity. The consolidated entity now holds 20% interest in the entity however does not have significant influence over the entity as there is no longer power to participate in the financial or operating decisions of the entity.

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 31. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	Consolidated	
	2015 $	2014 $
Profit/(loss) after income tax expense for the year	(2,235,582)	1,275,159
Adjustments for:		
Depreciation and amortisation	264	2,936
Impairment of investments	217,000	70,000
Share-based payments	-	448,000
Exploration costs written off	1,365,940	110,557
Gain on sale of fixed asset	(2,200)	-
Gain on sale of interests in mining tenements	(66,000)	(2,504,850)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	20,357	31,610
Decrease in prepayments	293	17,654
Increase/(decrease) in trade and other payables	776	(141,656)
Increase/(decrease) in employee benefits	(75,080)	12,307
Net cash used in operating activities	(774,232)	(678,283)

Note 32. Non-cash investing and financing activities

	Consolidated	
	2015 $	2014 $
Shares issued on sale of petroleum exploration permits	66,000	140,000

On 8 July 2014 the company sold its 25% interest in Vic P/47 to Oil Basins Limited (ASX:OBL), in consideration the company received 6,000,000 fully paid ordinary shares in OBL taken up at a fair value of $0.011 (1.1 cents)

During the previous financial year, the Company entered into an agreement with Oil Basins Limited for the sale of the consolidated entity's interest in exploration licence VIC P/41, through the sale of its wholly owned subsidiary Shelf Oil Pty Ltd to Oil Basins Limited (ASX Code: OBL). The consideration received was 7,000,000 fully paid ordinary shares in OBL, issued at $0.02 (2 cents) per share.

Note 33. Earnings per share

	Consolidated 2015 $	Consolidated 2014 $
Profit/(loss) after income tax attributable to the owners of Strategic Energy Resources Limited	(2,235,582)	1,275,159

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	348,622,501	348,622,501
Weighted average number of ordinary shares used in calculating diluted earnings per share	348,622,501	348,622,501

	Cents	Cents
Basic earnings per share	(0.641)	0.366
Diluted earnings per share	(0.641)	0.366

Note 34. Share-based payments

Set out below are summaries of options granted under the plan:

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/01/2010	25/12/2016	$0.0232 *	28,000,000	-	-	(1,000,000)	27,000,000
			28,000,000	-	-	(1,000,000)	27,000,000

* Following the demerger of Ionic Industries Limited approved by shareholders on 9 June 2015 the exercise price of the options has been amended to $0.0232 (2.32 cents) per option

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/01/2010	25/12/2016	$0.0232 *	-	28,000,000	-	-	28,000,000
			-	28,000,000	-	-	28,000,000

* Following the demerger of Ionic Industries Limited approved by shareholders on 9 June 2015 the exercise price of the options has been amended to $0.0232 (2.32 cents) per option

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2015 Number	2014 Number
24/10/2013	26/12/2016	27,000,000	28,000,000
		27,000,000	28,000,000

Note 34. Share-based payments (continued)

For the options granted during the current financial year, the consolidated entity used a Black-scholes valuation model, with the following inputs used to determine the fair value at grant date:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/01/2010	26/12/2016	$0.0300	$0.0232	100.00%	-%	2.67%	$0.016

* Following the demerger of Ionic Industries Limited approved by shareholders on 9 June 2015 the exercise price of the options has been amended to $0.0232 (2.32 cents) per option

The option life which was factored into the Black-Scholes valuation model was 3.2 years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

Glenister Lamont
Chairman

4 September 2015
Melbourne

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Independent Auditor's Report
To the Members of Strategic Energy Resources Limited

Report on the financial report

We have audited the accompanying financial report of Strategic Energy Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Strategic Energy Resources Limited is in accordance with the Corporations Act 2001, including:

 i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

 ii complying with Australian Accounting Standards and the Corporations Regulations 2001.

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding going concern

Without qualification to the conclusion expressed above, we draw attention to Note 2 to the financial statements which notes net operating cash outflows of $774,232 and a closing cash balance of $996,927 for the year ended 30 June 2015. This condition, along with other matters set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

Material uncertainty regarding recoverability of receivable

Without qualification to the conclusion expressed above, we draw attention to Notes 3 and 11 to the financial statements which detail a receivable relating to the Ionic Industries Limited demerger of $330,656 as at 30 June 2015, the recoverability of which is based upon Ionic Industries Limited successfully raising capital from third parties. This item represents a material asset of the Company, and at the date of this report the capital is yet to be successfully raised. Therefore, there remains a material uncertainty with regard to the recoverability of this receivable.

Report on the remuneration report

We have audited the remuneration report included the directors' report for the year ended 30 June 2015. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Strategic Energy Resources Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 4 September 2015

Strategic Energy Resources Limited
Shareholder information
30 June 2015

The shareholder information set out below was applicable as at 26 August 2015.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	74	-
1,001 to 5,000	80	-
5,001 to 10,000	166	-
10,001 to 100,000	1,427	-
100,001 and over	511	5
	2,258	5
Holding less than a marketable parcel	830	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
E E R C Australasia Pty Ltd (Super Fund A/C)	23,650,000	6.78
Avatar Energy Pty Ltd	22,541,993	6.47
Mr Mark Anthony Muzzin	12,000,000	3.44
JP Morgan Nominees Australia Limited	10,193,116	2.92
Mr Mark A Tkocz	7,390,900	2.12
Mr Nicholas Terranova	6,500,000	1.86
Mr Allan Smith & Mrs Karen Smith (Clayjessem Super Fund A/C)	5,080,436	1.46
F Terranova Investments Pty Ltd (Terranova Super Fund A/C)	4,000,000	1.15
HSBC Custody Nominees (Australia) Limited	3,662,312	1.05
Mr Alister H Forsyth	3,300,000	0.95
Mr John Andrew MacKay & Mr Patricia Anne Mackay	3,100,000	0.89
Troost Holdings Pty Ltd (Troost Super fund A/C)	3,095,288	0.89
Mrs Xiao Yun Wang	3,000,000	0.86
Mr John Andrew MacKay	2,800,000	0.80
Mr Nguyen Dinh Nguyen & Mr Thi Thu Ha Khong	2,400,000	0.69
Gutherie Cad/Gis Software Pty Ltd	2,200,000	0.63
Tradcorp Pty Ltd	2,000,000	0.57
Gregory Young Pty Ltd (Young Family Disc A/C)	2,000,000	0.57
Fletcher Family Super Pty Ltd (Ian Fletcher P/L S/F A/C)	2,000,000	0.57
Ateq Investments Pty Ltd	1,934,935	0.56
	122,848,980	35.23

Strategic Energy Resources Limited
Shareholder information
30 June 2015

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	27,000,000	5

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
E E R C Australasia Pty Ltd (Super Fund A/C)	23,650,000	6.78
Avatar Energy Pty Ltd	22,541,993	6.47

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Tenements

Description	Tenement number	Interest owned %
Falconbridge - Western Australia	E38/1970	95.00
Casterton - Victoria	EL 5040	5.00
Myall Creek - South Australia	EL5011	50.00
Spencer - South Australia	EL5010	75.00