Strategic Energy Resources Limited

ABN 14 051 212 429

Annual Report - 30 June 2016

Strategic Energy Resources Limited
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30 June 2016

Strategic Energy Resources Limited
Corporate directory
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Directors	Mr Peter Armitage (Non-Executive Director) Mr Anthony Rechner (Technical Director) Mr Stuart Rechner (Executive Director)
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

MINERAL EXPLORATION

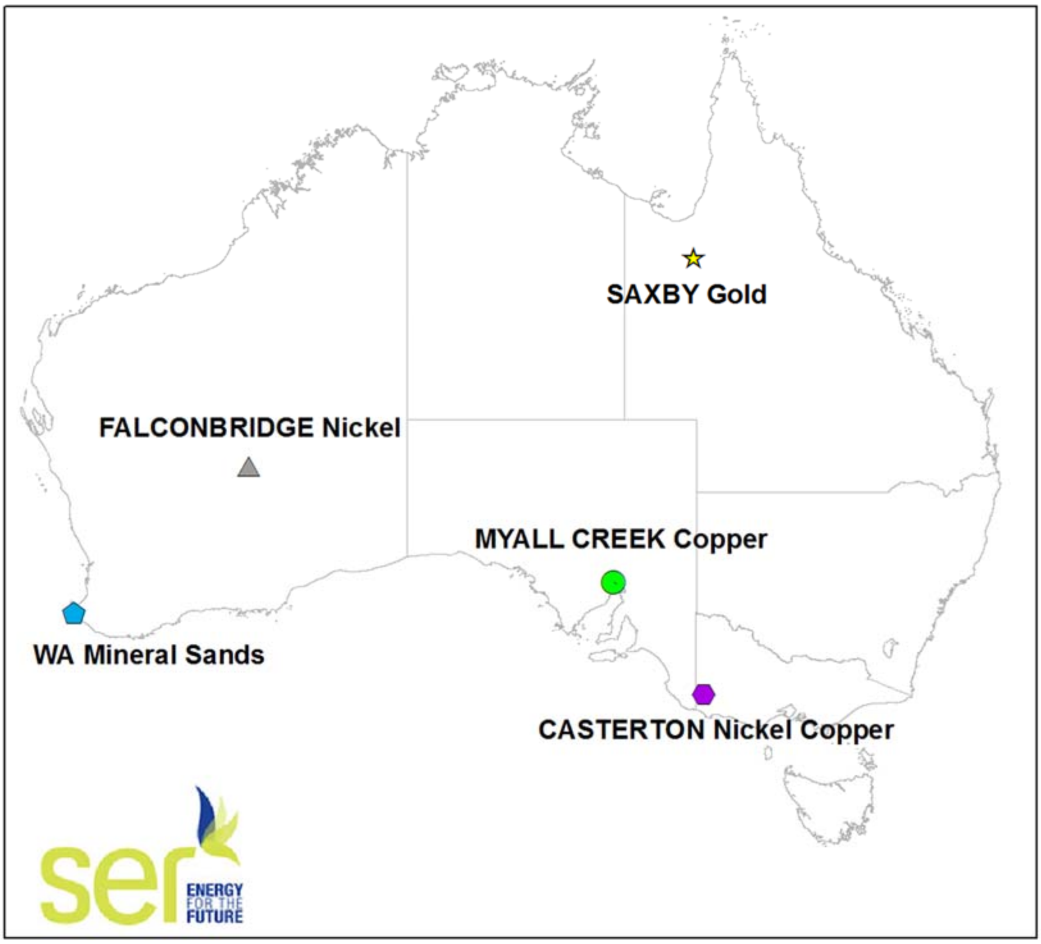

Figure 1: SER Exploration Projects

PURCHASE OF SAXBY GOLD PROJECT
QUEENSLAND (SER 100%)

On 15 July 2016, SER purchased the Saxby Gold Project from Falcon Minerals Limited (ASX:FCN) for 3,000,000 SER shares and a 1.5% net smelter return royalty in the event that mining commences at the Saxby Project. The transfer of the project was finalised early in FY2016-17.

The Saxby Project is located 165km north northeast of Cloncurry in the Gulf Country of northwest Queensland. It contains precious and base metal prospects (including the Lucky Squid Gold prospect). These prospects are hosted by basement rocks of the Mt Isa Block that are buried beneath younger sedimentary cover.

MYALL CREEK COPPER PROJECT
SOUTH AUSTRALIA (EL 5010 SER 75%, EL 5011 SER 50%)

The Myall Creek and Spencer copper projects are located on the west coast of the Spencer Gulf and cover 702km² of the highly prospective Olympic Copper Gold Province of the eastern Gawler Craton. The Myall Creek Project includes a 15km zone with anomalous copper shown in historic drilling.

SER and joint venture partner Kingston Resources Limited (ASX: KSN) are targeting both Iron Oxide Copper Gold (IOCG) mineralisation in the Proterozoic basement as well as sediment-hosted mineralisation in the overlying sediments.

The northern Eyre Peninsula was the focus of a major investigation by the South Australian Department of State Development and the Deep Exploration Technologies Cooperative Research Centre during the year. This investigation will produce significant new datasets to advance exploration in the region.

HEAVY MINERAL SANDS EXPLORATION

WESTERN AUSTRALIA (SER 100%)

In late 2015, SER identified a significant opportunity to acquire several advanced heavy mineral sands exploration projects in southwest Western Australia. The region is host to operating heavy mineral sands mines, notably the Iluka operations south of Bunbury.

Several historic heavy mineral sands prospects were in "open ground" and available via application to the Department of Mines and Petroleum. SER lodged several Exploration Licence applications covering the historic prospects.

In the final quarter of FY2015-16, the first of the new applications was granted with others following early in FY2016-17. SER has commenced landholder negotiations.

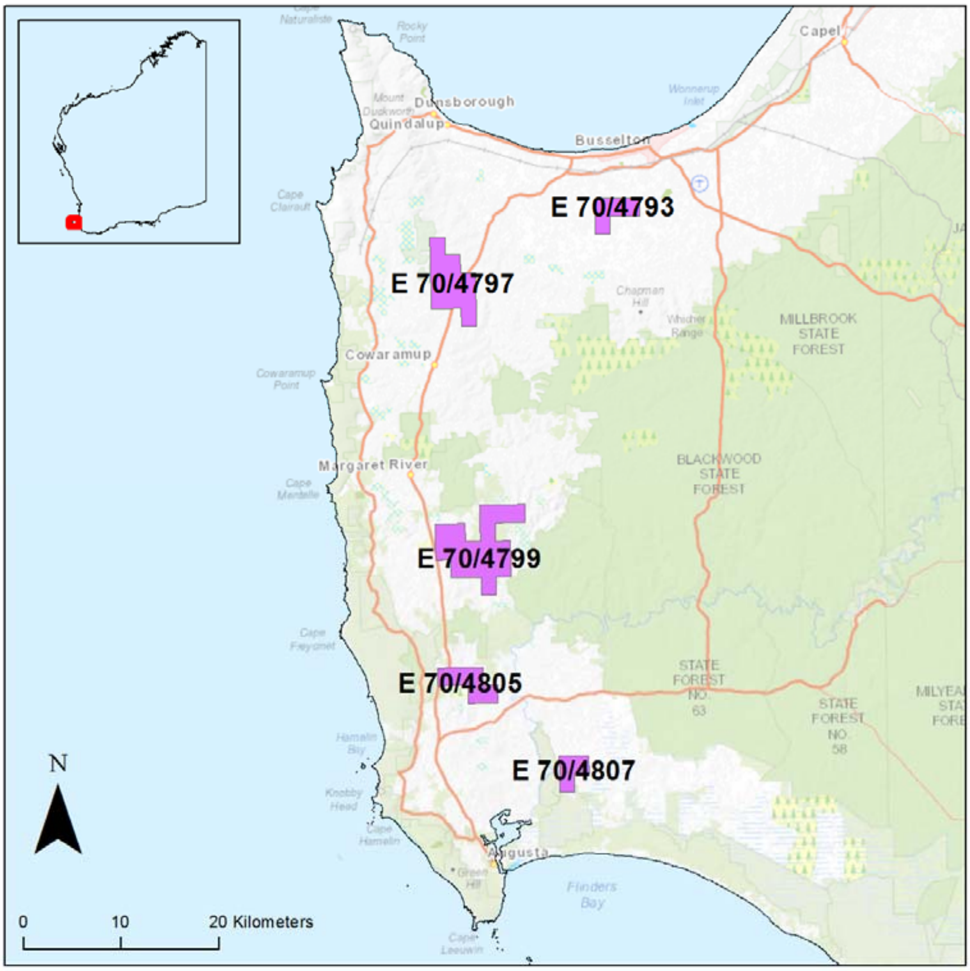

Figure 2: SER Heavy Mineral Sands Exploration Projects

FALCON BRIDGE NICKEL PROJECT

WESTERN AUSTRALIA (SER 95%)

The Falcon Bridge nickel project covers an area of 138km² in the north east of Western Australia's Archaean Yilgarn Craton. Falconbridge is located 48km along / en echelon to an ultra-mafic bulge where drilling by others has encountered nickel sulphides. SER is targeting Komatiitic nickel sulphide mineralisation in a mafic / ultramafic sequence. SER is currently considering joint venture opportunities.

CASTERON (SER 5%) EL 5040
NICKEL-COPPER PROJECT, VICTORIA

The Casteron nickel-copper project is located 350 kilometres west of Melbourne, Victoria. During the year, joint venture partner Encounter Minerals completed detailed reviews of the geophysics, geology and geochemistry of the target area and are in preliminary planning for a follow-up drill campaign.

Mining Tenement	Location	Beneficial Percentage held	Interest acquired/farm-in or disposed/farm-out during the quarter
EL 5010	South Australia	75%	-
EL 5011	South Australia	50%	-
E38/1970	Western Australia	95%	-
EL 5040	Victoria	5%	-
EL15398	Queensland	100%	Transferred to SER 5 July 2016
E70/4793	Western Australia	100%	Granted 8 April 2016
E70/4797	Western Australia	100%	Granted 4 July 2016
E70/4799	Western Australia	100%	Granted 4 July 2016
E70/4805	Western Australia	100%	N/A Application only
E70/4807	Western Australia	100%	N/A Application only
E70/4874	Western Australia	100%	N/A Application only

IONIC INDUSTRIES

Ionic Industries continues to forge ahead in the development of graphene-based nano-filtration and energy storage technologies. During the year, seed funding was raised and the bridging loan from SER repaid.

Ionic made significant advances in its plans for graphene oxide production. As a result of its research, the Ionic technical team has significantly reduced the energy and materials required, boosted efficiency and reduced costs, increased the production capacity of the planned pilot plant, reduced waste and the high costs of waste disposal, making the whole process more cost effective, as well as greener. The redesigned pilot plant will be able to supply sufficient high quality graphene oxide to support the next stages of product development and customer engagement in each of the planned product lines.

Work is progressing on a number of fronts with Ionic's energy storage technologies. The micro planar Supercapacitor R&D and Lithium-Sulphur technology is progressing rapidly.

The Monash research team, led by Associate Professor Mainak Majumder, has continued their success, building on the work achieved under successive Australian Research Council linkage grants with a string of significant, peer-reviewed publications.

Ionic continues negotiations with external groups regarding the upscaling and production of nano-filtration membranes and super-capacitors. Preparation for the listing of Ionic is progressing.

CORPORATE UPDATE

SER is the major shareholder of Ionic Industries Ltd and holds 87,155,625 shares (circa 18.95% of the issued capital) of Ionic.

SER is the major shareholder in Valence Industries Ltd (ASX: VXL) with 21,788,907 shares. Subsequent to the end of the quarter Valence Industries Limited (ASX: VXL) appointed a Voluntary Administrator. The directors have undertaken an impairment review and based on the Company being in Administration and in accordance with accounting standards have valued the investment in VXL at 30 June 2016 as Nil. The impairment expense for the 12 months on the VXL investment is $4,357,781.

SER also holds investments in Oil Basins Limited (ASX: OBL) 1,300,000 shares and Magnum Gas & Power Limited (ASX: MPE) 20,000,000 shares.

Board Changes & CEO Departure

During the year, Mr Glenister Lamont retired from the board following seven years of service.

CEO Mr Mark Muzzin resigned as CEO of the Company to lead Ionic Industries as Managing Director/CEO.

Mr Stuart Rechner was appointed as a Director to the Company. Stuart is an experienced company director with a background in project generation and acquisition in Australia and overseas. He holds degrees in both geology and law and is a member of the Australian Institute of Geoscientists and the Australian Institute of Company Directors.

Strategic Energy Resources Limited
Directors' report
30 June 2016

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 2016.

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 Anthony Rechner
Mr Peter Armitage
Mr Stuart Rechner (appointed as Executive Director on 19 October 2015)
Mr Glenister Lamont (resigned as Non - Executive Director 19 October 2015)

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 $5,547,426 (30 June 2015: $2,235,582).

The net assets of the consolidated entity decreased by $5,593,590 to $755,546 as at 30 June 2016 (2015: $6,349,136), largely due to the decrease in value of the company's investment in Valence Industries Limited (ASX: VXL) during the financial year.

Working capital, being current assets less current liabilities, decreased by $671,745 to $564,459 (30 June 2015: $1,236,204). The consolidated entity had negative cash flows from operating activities for the period of $565,931 (30 June 2015: $774,232). The total net cash decrease during the financial year amounted to $355,967 (30 June 2015: $1,444,360)

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 6 May 2016 the company cancelled 14,000,000 options which were previously granted to current directors and key management personnel exercisable at $0.0232 (2.32 cents) per option with an expiry date of 25 December 2015.

On 6 May 2016 the company issued 21,500,000 options to directors and key management personnel exercisable at $0.0232 (2.32 cents) per option with an expiry date of 30 April 2019, following shareholder approval received on 28 April 2016.

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
On 15 July 2016 the company issued 3,000,000 fully paid ordinary shares to Falcon Mineral Limited (ASX: FCN) for the acquisition of the Saxby Project.

No other matter or circumstance has arisen since 30 June 2016 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.

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 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:	Peako Limited (ASX: PKO)
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit & Risk Management Committee
Interests in shares:	200,560 fully paid ordinary shares
Interests in options:	5,000,000 unlisted options exercisable at 2.32 cents on or before the 30 April 2019

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:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	35,391,894 fully paid ordinary shares
Interests in options:	10,000,000 unlisted options exercisable at 2.32 cents on or before the 30 April 2019

Name:	Mr Stuart Rechner (appointed as Director on 19 October 2015)
Title:	Director
Qualifications:	BSc (Geology) LLB GAIG GAICD
Experience and expertise:	Mr. Stuart Rechner is an experienced company director with a background in exploration project generation and acquisition in both Australia and overseas. He holds degrees in geology and law from the University of Western Australia and is a member of the Australian Institute of Geoscientists and the Australian Institute of Company Directors. For over 10 years Mr Rechner was an Australian diplomat responsible for the resources sector with posting to Beijing and Jakarta.
Other current directorships:	GB Energy Limited (ASX: GBX) and Kingston Resources Limited (ASX: KSN)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the audit and risk committee
Interests in shares:	None
Interests in options:	5,000,000 unlisted options exercisable at 2.32 cents on or before the 30 April 2019

Name:	Mr Glenister Lamont (resigned as Non-Executive Chairman 19 October 2015)
Title:	Non-Executive Chairman
Qualifications:	BEng Mining (Hons), MBA (IMD Switzerland) FAICD, FFin MAusIMM
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 (ASX: GMR) and Valence Industries Limited (ASX: VXL)
Former directorships (last 3 years):	None
Special responsibilities:	N/A
Interests in shares:	N/A
Interests in options:	N/A

'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 ASX 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 2016, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mr P Armitage	5	5	1	1
Mr A Rechner	5	5	-	-
Mr S Rechner	5	5	-	-
Mr G Lamont*	2	2	1	1

* Resigned 19 October 2015

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.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- 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 director and executive director remuneration is 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 two components:
- base pay and non-monetary benefits
- share-based payments

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 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 15 October 2015 Annual General Meeting ('AGM')
The company received 85.53% of 'for' votes in relation to its remuneration report for the year ended 30 June 2015. 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	
2016	Cash salary and fees $	Annual leave $	Non-monetary $	Super-annuation $	Annual leave $	Equity-settled $	Total $
Non-Executive Directors:							
Mr G Lamont *	20,137	-	-	1,913	-	-	22,050
Mr P Armitage	40,275	-	-	3,725	-	41,100	85,100
Mr S Rechner **	72,193	-	-	2,678	-	54,750	129,621
Other Key Management Personnel:							
Mr A Rechner ***	222,300	-	-	-	-	64,000	286,300
Mr M Muzzin ****	80,000	13,961	-	7,600	-	-	101,561
Ms M Leydin*****	90,000	-	-	-	-	11,875	101,875
	524,905	13,961	-	15,916	-	171,725	726,507

* Resigned as Non-Executive Director on 19 October 2015.
** Appointed as Non-Executive Director on 19 October 2015. Included in Cash salary and fees are $28,193 of directors fees, $26,400 for Geological services provided by Diplomatic Exploration Pty Ltd (an entity associated with Mr Stuart Rechner) and $17,600 for Geological services billed through Tangram Pty Ltd (an entity associated with Mr Anthony Rechner).
*** Fees paid to Tangram Pty Ltd in respect to Geological consulting services.
**** Resigned as Chief Executive Officer on 5 March 2016.
***** Fees paid to Leydin Freyer Corp Pty Ltd in respect of Company secretarial and accounting services

Note superannuation rate of 9.5%

During the year a total of 14,000,000 options were cancelled, which were previously valued at $224,000. Following the cancellation of these options, 21,500,000 new options were granted to current directors and other key management personnel which were valued at $235,425. A total of 16,500,000 of the new options were accounted for as a modification in accordance with accounting standards and a share based payment expense of $171,725 has been recognised in total.

	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
	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

Note superannuation rate of 9.5%.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2016	2015	2016	2015	2016	2015
Non-Executive Directors:						
Mr G Lamont	100%	100%	-	-	-	-
Mr P Armitage	52%	100%	-	-	48%	-
Mr S Rechner	58%	-	-	-	42%	-
Executive Directors:						
Mr A Rechner	78%	100%	-	-	22%	-
Other Key Management Personnel:						
Ms M Leydin	88%	100%	-	-	12%	-
Mr M Muzzin	100%	100%	-	-	-	-

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 Anthony Rechner
Title:	Technical Director
Agreement commenced:	14 February 2016
Term of agreement:	Contract is for a period of 3 years from the commencement date
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 two (2) months notice in writing. Mr Rechner can terminate the agreement by giving one (1) month's notice.

Name:	Mr Stuart Rechner
Title:	Executive Director
Agreement commenced:	1 March 2016
Term of agreement:	Contract is for a period of 3 years from the commencement date
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 one (1) 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 2016.

Options
During the year a total of 14,000,000 options were cancelled, which were previously valued at $224,000. Following the cancellation of these options, 21,500,000 new options were granted to current directors and other key management personnel which were valued at $235,425. A total of 16,500,000 of the new options were accounted for as a modification in accordance with accounting standards and a share based payment expense of $171,725 has been recognised in total.

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:

Shareholder approval date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
28 April 2016	28 April 2016	30 April 2019	$0.0232	$0.01095

Options granted carry no dividend or voting rights.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

	2016 $	2015 $	2014 $	2013 $	2012 $
Revenue	62,257	156,982	2,648,381	2,705,619	120,693
Profit/(loss) before income tax	(5,547,426)	(2,325,582)	1,275,159	(266,053)	(1,866,425)
Profit/(loss) after income tax	(5,547,426)	(2,325,582)	1,275,159	(266,053)	(1,866,425)

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

	2016	2015	2014	2013	2012
Share price at financial year end ($)	0.014	0.028	0.040	0.030	0.030
Basic earnings/(loss) per share (cents per share)	(1.591)	(0.641)	0.370	0.270	(0.550)

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 *	12,000,000	-	-	(12,000,000)	-
Mr G Lamont **	100,000	-	-	(100,000)	-
Mr P Armitage	200,560	-	-	-	200,560
Mr A Rechner	23,650,051	-	11,741,843	-	35,391,894
	35,950,611	-	11,741,843	(12,100,000)	35,592,454

* Mr M Muzzin resigned as Chief Executive Officer 5 March 2016 therefore disclosure no longer required
** Mr G Lamont resigned as Non-Executive Director 19 October 2015 therefore disclosure no longer required
*** Mr S Rechner does not hold any shares in the company.

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 as compensation	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	5,000,000	-	(3,000,000)	5,000,000
Mr A Rechner	10,000,000	10,000,000	-	(10,000,000)	10,000,000
Ms M Leydin	1,000,000	1,500,000	-	(1,000,000)	1,500,000
Mr S Rechner	-	5,000,000	-	-	5,000,000
	27,000,000	21,500,000	-	(27,000,000)	21,500,000

* Mr M Muzzin resigned as Chief Executive Officer 5 March 2016 therefore disclosure no longer required
** M G Lamont resigned as Non-Executive Director 19 October 2015 therefore disclosure no longer required

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Mr P Armitage	5,000,000	-	5,000,000
Mr A Rechner	10,000,000	-	10,000,000
Ms M Leydin	1,500,000	-	1,500,000
Mr S Rechner	5,000,000	-	5,000,000
	21,500,000	-	21,500,000

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
30 October 2013	25 December 2016	$0.0232	13,000,000
28 April 2016	30 April 2019	$0.0232	21,500,000
			34,500,000

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 2016 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 immediately after this directors' report.

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

Rounding of amounts
Strategic Energy Resources Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

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

Peter Armitage
Non-Executive Director

5 August 2016
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 2016, 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, 5 August 2016

Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 $	2015 $
Revenue from continuing operations	5	62,257	156,982
Other income	6	-	2,831
Expenses			
Impairment of available for sale financial assets	12	(4,408,981)	(217,000)
Employee benefits expense		(451,512)	(275,238)
Depreciation expense		-	(264)
Corporate expenses		(252,637)	(474,733)
Exploration expenditure written off	13	(459,659)	(1,365,940)
Other expenses		(36,894)	(62,220)
Loss before income tax expense		(5,547,426)	(2,235,582)
Gain on loss of control	8	-	405,076
Loss from discontinued operations	8	-	(405,076)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Strategic Energy Resources Limited		(5,547,426)	(2,235,582)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Loss on the revaluation of available-for-sale financial assets, net of tax		(217,889)	(4,357,782)
Other comprehensive income for the year, net of tax	18	(217,889)	(4,357,782)
Total comprehensive income for the year attributable to the owners of Strategic Energy Resources Limited		(5,765,315)	(6,593,364)
		Cents	**Cents**
Basic loss per share	30	(1.591)	(0.641)
Diluted loss per share	30	(1.591)	(0.641)

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 2016

	Note	Consolidated 2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	9	640,660	996,627
Trade and other receivables	10	15,455	342,612
Other current assets	11	5,960	6,585
Total current assets		662,075	1,345,824
Non-current assets			
Available-for-sale financial assets	12	67,800	4,694,670
Exploration and evaluation	13	100,695	396,052
Other non-current assets	14	22,592	22,210
Total non-current assets		191,087	5,112,932
Total assets		853,162	6,458,756
Liabilities			
Current liabilities			
Trade and other payables	15	97,616	89,041
Employee benefits	16	-	20,579
Total current liabilities		97,616	109,620
Total liabilities		97,616	109,620
Net assets		755,546	6,349,136
Equity			
Issued capital	17	28,833,224	28,833,224
Reserves	18	(23,404,656)	(23,198,192)
Retained profits/(accumulated losses)		(4,673,022)	714,104
Total equity		755,546	6,349,136

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 2016

Consolidated	Contributed equity $	Accumulated losses $	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

Consolidated	Contributed equity $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 July 2015	28,833,224	714,104	(23,198,192)	6,349,136
Loss after income tax expense for the year	-	(5,547,426)	-	(5,547,426)
Other comprehensive income for the year, net of tax	-	-	(217,889)	(217,889)
Total comprehensive income for the year	-	(5,547,426)	(217,889)	(5,765,315)
Transactions with owners in their capacity as owners:				
Cancellation of options	-	160,300	(160,300)	-
Issue of options	-	-	171,725	171,725
Balance at 30 June 2016	28,833,224	(4,673,022)	(23,404,656)	755,546

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 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(636,604)	(838,392)
Interest received		36,844	64,160
Other revenue		33,829	-
Net cash used in operating activities	28	(565,931)	(774,232)
Cash flows from investing activities			
Payments for equity investments		-	(200,000)
Payments for exploration and evaluation		(111,894)	(154,270)
Proceeds from loans given		403,101	-
Loans advanced to other entities		(81,243)	-
Proceeds from sale of fixed assets		-	6,000
Net cash from/(used in) investing activities		209,964	(348,270)
Cash flows from financing activities			
Net cash used in financing activities		-	-
Net cash flows from discontinued operations	8	-	(321,858)
Net decrease in cash and cash equivalents		(355,967)	(1,444,360)
Cash and cash equivalents at the beginning of the financial year		996,627	2,440,987
Cash and cash equivalents at the end of the financial year	9	640,660	996,627

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 5 August 2016. 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.

None of these Accounting Standards and Interpretations had a material effect.

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 assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity made a loss after tax of $5,547,426 during the financial year (2015: $2,235,582) and had net operating cash outflows of $565,931 (2015: $774,232). The cash balance as at 30 June 2016 was $640,660 (30 June 2015: $996,627).

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.

Rounding of amounts

Strategic Energy Resources Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

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.

Note 2. Significant accounting policies (continued)

Investment in associates

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 25.

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 2016 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.

Note 2. Significant accounting policies (continued)

Investment in associates

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.

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 the consolidated entity's 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 the consolidated entity's 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.

Note 2. Significant accounting policies (continued)

Investment in associates

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.

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:

Plant and equipment	3-7 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)

Investment in associates

Investment 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.

Interests in joint ventures and joint operations
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.

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 or other indicators of impairment exist, the expenditure incurred thereon is written off in the year in which the decision is made or the impairment event occurred.

Note 2. Significant accounting policies (continued)

Investment in associates

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)

Investment in associates

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)

Investment in associates

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)

Investment in associates

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 2016. 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 AASB139 '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 other than a reclassification of AFS financial assets to fair value through OCI.

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.

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 4. Operating segments

Identification of reportable operating segments
During the prior financial year 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.

During the current financial year the consolidated entity operated in one segment being an explorer of 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. In the prior year the board reviewed the consolidated entity as two operating segments, being mineral exploration within Australia and graphene research and development. In the current year the board reviews the consolidated entity as one operating segment being mineral exploration within Australia.

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

Note 5. Revenue

	Consolidated	
	2016 $	2015 $
From continuing operations		
Fees earned as operator of joint operations	-	671
Sale of tenement assets	-	66,000
Interest revenue	28,428	56,878
Royalty	64	-
R&D tax refund received	33,765	33,433
Revenue from continuing operations	62,257	156,982

During the prior 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 (pre-consolidation) 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 6. Other income

	Consolidated	
	2016 $	2015 $
Other	-	631
Gain on sale of fixed asset	-	2,200
Other income	-	2,831

Note 7. Income tax expense

	Consolidated 2016 $	Consolidated 2015 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(5,547,426)	(2,235,582)
Tax at the statutory tax rate of 30%	(1,664,228)	(670,675)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other permanent differences	(8,149)	14,264
Impairment of financial assets	1,322,694	65,100
	(349,683)	(591,311)
Income tax losses carried forward not taken up as a benefit	349,683	591,311
Income tax expense	-	-

	Consolidated 2016 $	Consolidated 2015 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	25,375,677	24,398,395
Potential tax benefit @ 30%	7,612,703	7,319,519

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.

	Consolidated 2016 $	Consolidated 2015 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	7,612,703	7,319,518
Temporary differences	(171,750)	(198,345)
Total deferred tax assets not recognised	7,440,953	7,121,173

Note 8. 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.

Note 8. Discontinued operations (continued)

Following the demerger of Ionic Industries Limited the consolidated entity now holds a 19% interest and consequently the consolidated entity is no longer in a position to significantly influence the operations of Ionic Industries Limited. Therefore the investment has not been reported as an associate but recognised as an 'Available for sale financial asset'.

Financial performance information

	Consolidated	
	2016 $	2015 $
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	
	2016 $	2015 $
Net cash used in operating activities	-	(321,858)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2016 $	2015 $
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)

Note 8. Discontinued operations (continued)

Details of the disposal

	Consolidated 2016 $	Consolidated 2015 $
Carrying amount of net liabilities disposed	-	405,076
Gain on disposal before income tax	-	405,076
Gain on disposal after income tax	-	405,076

Note 9. Current assets - cash and cash equivalents

	Consolidated 2016 $	Consolidated 2015 $
Cash at bank	640,660	996,627

Note 10. Current assets - trade and other receivables

	Consolidated 2016 $	Consolidated 2015 $
Loan - Ionic Industries Limited	-	330,656
GST receivable	15,455	11,956
	15,455	342,612

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.

The loan provided to demerged subsidiary Ionic Industries limited was repaid in full during the financial year.

Note 11. Current assets - other current assets

	Consolidated 2016 $	Consolidated 2015 $
Prepayments	5,960	6,585

Note 12. Non-current assets - available-for-sale financial assets

	Consolidated 2016 $	Consolidated 2015 $
Investment in Oil Basins Limited	7,800	39,000
Investment in Valence Industries Limited	-	4,575,670
Investment in Magnum Gas & Power Limited	60,000	80,000
Investment in Ionic Industries Limited	-	-
	67,800	4,694,670

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

	2016 $	2015 $
Opening fair value	4,694,670	9,003,452
Additions	-	200,000
Revaluation decrements	(217,889)	(4,357,782)
Acquired as consideration for sale of VIC/P47	-	66,000
Impairment of investments	(4,408,981)	(217,000)
Closing fair value	67,800	4,694,670

The consolidated entity currently holds 20,000,000 fully paid ordinary shares in Magnum Gas & Power Limited (ASX Code: MPE).

The consolidated entity currently holds 1,300,000 fully paid ordinary shares in Oil Basins Limited (ASX: OBL).

On 17 November 2015, Valence Industries Limited (ASX: VXL) announced that the Company's securities will be placed into a voluntary suspension subject to completion of a capital raising. As at the date of this report VXL's securities remained in suspension. On 8 January 2016 the consolidated entity's VXL shareholding was released from a 24 month ASX imposed Escrow. On 18 July 2016 VXL appointed a Voluntary Administrator. The directors have undertaken an impairment review and have valued the investment in VXL at 30 June 2016 as Nil. The impairment expense for the year on this investment is $4,357,781.

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 2016 and 30 June 2015 (The VXL investment was valued according to quoted prices at 30 June 2015 but has been impaired in full at 30 June 2016 as mentioned above). In accordance with AASB 139 the available-for-sale financial assets (being OBL, VXL 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.

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 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.

Note 13. Non-current assets - exploration and evaluation

	Consolidated	
	2016	**2015**
	$	**$**
Exploration and evaluation - at cost	100,695	396,052

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 2014	1,607,722	1,607,722
Expenditure during the year	154,270	154,270
Write off of assets	(1,365,940)	(1,365,940)
Balance at 30 June 2015	396,052	396,052
Expenditure during the year	164,302	164,302
Write off of assets	(459,659)	(459,659)
Balance at 30 June 2016	100,695	100,695

A review of the company's exploration licenses was undertaken at the end of the financial year and management made the decision to write off the carrying value of exploration expenditure in the amount of $459,659. The company has written off the carrying value of all exploration tenements with the exception of the company's Ambergate tenement.

Note 14. Non-current assets - other non-current assets

	Consolidated	
	2016	**2015**
	$	**$**
Other deposits	22,592	22,210

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

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2016	**2015**
	$	**$**
Trade payables	76,116	57,621
Sundry payables and accrued expenses	21,500	31,420
	97,616	89,041

Refer to note 20 for further information on financial instruments.

Note 16. Current liabilities - employee benefits

	Consolidated 2016 $	Consolidated 2015 $
Annual leave*	-	8,859
Long service leave	-	11,720
	-	20,579

*Mr M Muzzin resigned as Chief Executive Officer 5 March 2016 and all leave entitlements were settled

Note 17. Equity - issued capital

	Consolidated 2016 Shares	2015 Shares	2016 $	2015 $
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.

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.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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 2015 Annual Report.

Note 18. Equity - reserves

	Consolidated 2016 $	Consolidated 2015 $
Available-for-sale reserve	-	217,889
Options reserve	443,425	432,000
Demerger Reserve	(23,848,081)	(23,848,081)
	(23,404,656)	(23,198,192)

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.

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 2014	4,575,671	448,000	(23,848,081)	(18,824,410)
Revaluation - gross	(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)
Revaluation - gross	(217,889)	-	-	(217,889)
Cancellation of Options	-	(160,300)	-	(160,300)
Issue of Options	-	171,725	-	171,725
Balance at 30 June 2016	-	443,425	(23,848,081)	(23,404,656)

Note 19. Equity - dividends

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

Note 20. Financial instruments

Financial risk management objectives
The consolidated entities 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.

Note 20. Financial instruments (continued)

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 entities.

Consolidated - 2016	**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%	33,900	50%	(33,900)

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)

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:

	2016		**2015**	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash at bank and in hand	1.50%	640,660	2.00%	996,627
Net exposure to cash flow interest rate risk		640,660		996,627

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 2015 and 2016 financial years. The impact would not be material on bank balances held at 30 June 2016. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

Note 20. Financial instruments (continued)

Consolidated - 2016	Basis points increase: Basis points change	Basis points increase: Effect on profit before tax	Basis points increase: Effect on equity	Basis points decrease: Basis points change	Basis points decrease: Effect on profit before tax	Basis points decrease: Effect on equity
Cash at bank	50	3,203	3,203	50	(3,203)	(3,203)

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

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.

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 21. Key management personnel disclosures

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

Mr P Armitage (Non-Executive Director)	
Mr A Rechner (Technical Director)	
Mr S Rechner (Executive Director)	(appointed 19 October 2015)
Mr G Lamont (Non-Executive Chairman)	(resigned 19 October 2015)

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 Chief Executive Officer on 5 March 2016)
Ms M Leydin (Company Secretary)	

Note 21. Key management personnel disclosures (continued)

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

	Consolidated	
	2016 $	2015 $
Short-term employee benefits	524,905	605,620
Post-employment benefits	15,916	27,617
Long-term benefits	13,961	-
Share-based payments	171,725	-
	726,507	633,237

Note 22. 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	
	2016 $	2015 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	30,000	38,000

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

Note 23. Commitments

	Consolidated	
	2016 $	2015 $
Exploration Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	195,831	687,234

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 prior 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 (pre-consolidation) shares in OBL shares as consideration for this permit.

Note 24. Related party transactions

Parent entity
Strategic Energy Resources Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 21 and the remuneration report included in the directors' report.

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

	Consolidated	
	2016 **$**	**2015** **$**
Other income:		
Other income from other related party	-	671
Sale of motor vehicle to Stuart Rechner	-	6,000

Transactions with Directors or Director Related Entities
During the year the company made payments to Tangram Pty Ltd and Omen Pty Ltd which are related entity's of Mr Anthony Rechner. These entity's provided Geological services to the company throughout the year. All disclosures relating to the services mentioned above have been set out in the remuneration report within the directors report.

During the year the company also made payments to Diplomatic Exploration Pty Ltd which is a related entity of Mr Stuart Rechner. This entity provided exploration services to the company throughout the year. All disclosures relating to the services mentioned above have been set out in the remuneration report within the directors report.

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
There were no loans to or from related parties at the current and previous reporting date.

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

Note 25. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2016 **$**	**2015** **$**
Loss after income tax	(5,547,426)	(2,235,582)
Total comprehensive income	(5,547,426)	(6,593,364)

Note 25. Parent entity information (continued)

Statement of financial position

	Parent 2016 $	Parent 2015 $
Total current assets	662,057	1,345,807
Total assets	853,159	6,458,754
Total current liabilities	97,616	109,620
Total liabilities	97,616	109,620
Equity		
Issued capital	28,833,225	28,833,225
Available-for-sale reserve	-	217,889
Options reserve	443,425	432,000
Accumulated losses	(28,521,107)	(23,133,980)
Total equity	755,543	6,349,134

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 2015 and 2016.

Contingent liabilities
The parent entity had no contingent liabilities as at 2015 and 2016.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 2015 and 2016.

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 revenue by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 26. 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 2016 %	Ownership interest 2015 %
Strategic Nickel Pty Ltd	Australia	100.00%	100.00%
Strategic Sands Pty Ltd *	Australia	100.00%	-

* Strategic Sands Pty Ltd was incorporated on 16 November 2015

Note 27. Events after the reporting period

On 15 July 2016 the company issued 3,000,000 fully paid ordinary shares to Falcon Mineral Limited (ASX: FCN) for the acquisition of the Saxby Project.

No other matter or circumstance has arisen since 30 June 2016 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 28. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2016 $	2015 $
Loss after income tax expense for the year	(5,547,426)	(2,235,582)
Adjustments for:		
Depreciation and amortisation	-	264
Impairment of investments	4,408,981	217,000
Share-based payments	171,725	-
Exploration costs written off	459,659	1,365,940
Gain on sale of fixed asset	-	(2,200)
Gain on sale of interests in mining tenements	-	(66,000)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(3,882)	20,357
Decrease in accrued revenue	8,799	-
Decrease in prepayments	625	293
Increase/(decrease) in trade and other payables	(43,833)	776
Decrease in employee benefits	(20,579)	(75,080)
Net cash used in operating activities	(565,931)	(774,232)

Note 29. Non-cash investing and financing activities

	Consolidated	
	2016 $	2015 $
Shares issued on sale of petroleum exploration permits	-	66,000

During the previous financial year the company sold its 25% interest in Vic P/47 to Oil Basins Limited (ASX:OBL), in consideration the company received 6,000,000 (pre-consolidation) fully paid ordinary shares in OBL accounted for at a fair value of $0.011 (1.1 cents).

Note 30. Earnings per share

	Consolidated	
	2016 $	2015 $
Loss after income tax attributable to the owners of Strategic Energy Resources Limited	(5,547,426)	(2,235,582)

Note 30. Earnings per share (continued)

	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/(loss) earnings per share	(1.591)	(0.641)
Diluted/(loss) earnings per share	(1.591)	(0.641)

Diluted Earnings Per Share

No options have been included in the calculation of the diluted EPS as the consolidated entity made a loss for the financial year (refer to note 31 for information in relation to options on issue).

Note 31. Share-based payments

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

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Cancelled	Balance at the end of the year
30/10/2013	25/12/2016	$0.0232	27,000,000	-	-	(14,000,000)	13,000,000
28/04/2016	30/04/2019	$0.0232	-	21,500,000	-	-	21,500,000
			27,000,000	21,500,000	-	(14,000,000)	34,500,000
Weighted average exercise price			$0.0232	$0.0232	$0.0000	$0.0232	$0.0232

The 21,000,000 options issued during the financial year have been valued using the Black Scholes method. The expense booked during the financial year amounted to $171,725 due to the options issued being treated as, a modification of gross value of $235,425 from a cancelled option value of $63,700

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
30/10/2013	25/12/2016	$0.0232	28,000,000	-	-	(1,000,000)	27,000,000
			28,000,000	-	-	(1,000,000)	27,000,000
Weighted average exercise price			$0.0232	$0.0000	$0.0000	$0.0232	$0.0232

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

Note 31. Share-based payments (continued)

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

Grant date	Expiry date	2016 Number	2015 Number
30/10/2013	25/12/2016	13,000,000	27,000,000
28/04/2016	30/09/2019	21,500,000	-
		34,500,000	27,000,000

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
28/04/2016	30/04/2019	$0.0170	$0.0232	116.50%	-	1.73%	$0.01095

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Strategic Energy Resources Limited
Directors' declaration
30 June 2016

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 2016 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

Peter Armitage
Non-Executive Director

5 August 2016
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 2016, 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 2016 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 audit opinion expressed above, we draw attention to Note 2 to the financial report, which notes net operating cash outflows of $565,931 and a closing cash balance of $640,660 for the year ended 30 June 2016. 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.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 5 August 2016

Strategic Energy Resources Limited
Shareholder information
30 June 2016

The shareholder information set out below was applicable as at 3 August 2016.

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

	Number of holders of ordinary shares
1 to 1,000	73
1,001 to 5,000	79
5,001 to 10,000	163
10,001 to 100,000	1,368
100,001 and over	499
	2,182
Holding less than a marketable parcel	1,144

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)	30,000,000	8.53
Mr Mark Anthony Muzzin	12,000,000	3.41
JP Morgan Nominees Australia Limited	10,899,257	3.10
Avatar Energy Pty Ltd	8,191,993	2.33
Mr Nicholas Terranova	8,000,000	2.28
HSBC Custody Nominees (Australia) Limited	6,608,723	1.88
Tangram Pty Ltd	5,391,894	1.53
Mr Allan Smith & Mrs Karen Smith	5,080,436	1.44
F Terranova Investments Pty Ltd	5,000,000	1.42
Kslcorp Pty Ltd	4,089,821	1.16
Mr Jiang Liu	3,995,594	1.14
Mrs Xiao Yun Wang	3,730,000	1.06
Mr John Andrew MacKay	3,400,000	0.97
Mr Alister John Forsyth	3,300,000	0.94
Troost Holdings Pty Ltd	3,095,288	0.88
Falcon Minerals Limited	3,000,000	0.85
Mr John Andrew Mackay & Mrs Patricia Anne Mackay	2,900,000	0.82
Mr Nguyen Dinh Nguyen & Mrs Thi Thu Ha Khong	2,400,000	0.68
Guthrie Cad/Gis Software	2,300,000	0.65
Tradcorp Pty Ltd	2,000,000	0.57
	125,383,006	35.64

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	34,500,000	6

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)	30,000,000	8.53

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
Ambergate - Western Australia	E70/4793	100.00