



STRATEGIC ENERGY RESOURCES LIMITED

ABN 14 051 212 429

**HALF YEAR REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

Strategic Energy Resources Limited

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31 December 2017



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Directors	Mr Stuart Rechner (Executive Chairman) Mr Harvey Kaplan (Non-Executive Director) Dr David DeTata (Non-Executive Director)
Company secretary	Ms 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 Tower 4, 727 Collins Street Docklands, VIC 3008 Ph: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd Tower 1, Collins Square 727 Collins Street Melbourne VIC 3008
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

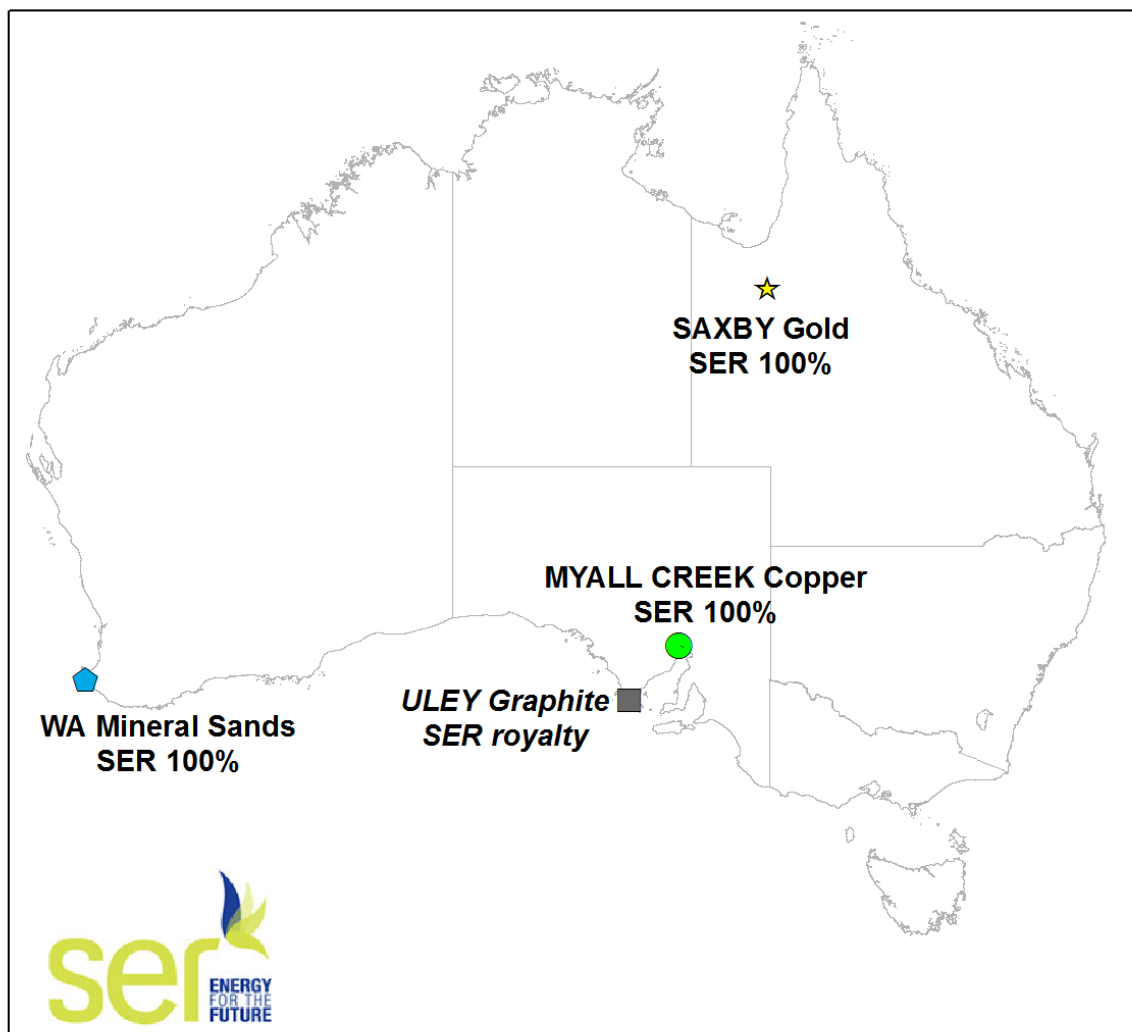


Figure 1: SER Exploration Projects

HEAVY MINERAL SANDS EXPLORATION (SER 100%)

SER has pegged additional ground immediately west of Ambergate where we believe there is good potential for further heavy mineral sand mineralisation to be found. Compilation and digitisation of historic data at our other projects is well advanced.

MYALL CREEK COPPER-GOLD PROJECT (SER 100%)

SER has moved to 100% holder of the Myall Creek Copper-Gold project.

SAXBY GOLD PROJECT (SER 100%)

SER has concluded a binding Native Title agreement in preparation for drilling.

CORPORATE AND INVESTMENTS

Market conditions for mineral exploration continue to improve. Following capital raising in August 2017, SER is well placed to advance our exploration projects and new opportunities in mineral exploration.

SER appointed Mr Harvey Kaplan and Dr David DeTata as Non-Executive Directors to the Board. Technical Director Mr Anthony Rechner and Non-Executive Director Mr Peter Armitage resigned from the Board.

IONIC INDUSTRIES UPDATE (SER 15%)

In September 2017, Ionic filed a new patent titled: Capacitive energy storage device and method of producing same (Australian Provisional Patent Application 2017903619) which covers:

- the design of the planar micro supercapacitor printed on a porous film;
- the technique of stacking multiple layers of planar supercapacitors to create a 3-D device that has ground-breaking energy and power density characteristics; and, most importantly,
- the method for mass printing these devices at low cost.

Ionic has named these printable, 3D-stacked micro supercapacitors – “MICRENS”.

Ionic’s water treatment work conducted under the CRC-P program *Power Efficient Waste Water Treatment Using Graphene Oxide Technology* has reached the half way mark and is on track to deliver waste water treatment technologies by late 2018.

QUANTUM GRAPHITE

During the half year, SER undertook a number of actions to protect our interest in Quantum Graphite Limited (ASX: QGL) (formerly Valence Industries Limited). This included an attempted requisition for a general meeting of shareholders and an application to the Takeovers Panel. Unfortunately, these actions were not successful.

Further details are available in the Takeover Panel’s media release available on the company’s ASX platform.

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 period ended 31 December 2017.

Directors

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

Mr Stuart Rechner (Executive Chairman) - appointed Executive Chairman 10 October 2017
Mr Harvey Kaplan (Non-Executive Director) - appointed 10 October 2017
Dr David DeTata (Non-Executive Director) - appointed 11 October 2017
Mr Peter Armitage (Non-Executive Director) - resigned 10 October 2017
Mr Anthony Rechner (Technical Director) - resigned 11 October 2017

Principal activities

During the period the principal continuing activities of the consolidated entity consisted of exploration for minerals in Australia.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$507,466 (31 December 2016: \$256,874).

The net assets of the consolidated entity increased by \$1,948,329 to \$2,495,386 as at 31 December 2017 (30 June 2017: \$547,057). The increase was largely a result of the completion of capital raisings during the period. The consolidated entity had net cash outflows from operating activities for the period of \$244,984 (31 December 2016: \$283,100). Working capital, being current assets less current liabilities, increased by \$1,805,486 to \$1,928,136 (30 June 2017: \$122,650).

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 3 August 2017, the consolidated entity, completed a placement issuing 200,000,000 fully paid ordinary shares at an issue price of \$0.005 (0.5 cents) per share raising a total of \$1,000,000 (before costs).

On 31 August 2017, the consolidated entity completed a placement issuing 235,634,124 fully paid ordinary shares at an issue price of \$0.005 (0.5 cents) per share raising a total of \$1,178,171 (before costs).

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

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2017 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.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'Stuart Rechner', is written over a horizontal line.

Mr Stuart Rechner
Executive Chairman

15 March 2018

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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 review of Strategic Energy Resources Limited for the half-year ended 31 December 2017, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B A Mackenzie
Partner - Audit & Assurance

Melbourne, 15 March 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2017



		Consolidated	
	Note	31 December 2017	31 December 2016
		\$	\$
Revenue			
Interest income		13,693	3,240
Expenses			
Impairment on AFS financial assets		-	(42,600)
Employee benefits expense		(78,744)	(50,500)
Share based payments	14	(290,648)	-
Corporate expenses		(124,612)	(115,883)
Exploration expenditure written off	6	(4,058)	(39,284)
Other expenses		(23,097)	(11,847)
Loss before income tax expense		(507,466)	(256,874)
Income tax expense		-	-
Loss after income tax expense for the period attributable to the owners of Strategic Energy Resources Limited		(507,466)	(256,874)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of available-for-sale financial assets, net of tax		10,000	-
Other comprehensive income for the period, net of tax		10,000	-
Total comprehensive income for the period attributable to the owners of Strategic Energy Resources Limited		(497,466)	(256,874)
		Cents	Cents
Basic earnings per share	13	(0.07)	(0.07)
Diluted earnings per share	13	(0.07)	(0.07)

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 31 December 2017



		Consolidated	
		31 December	
	Note	2017	30 June 2017
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,947,214	174,353
Trade and other receivables		15,004	14,870
Other		15,561	8,097
Total current assets		<u>1,977,779</u>	<u>197,320</u>
Non-current assets			
Available for sale financial assets	5	33,900	23,900
Exploration and evaluation	6	510,368	378,364
Other		22,982	22,592
Total non-current assets		<u>567,250</u>	<u>424,856</u>
Total assets		<u>2,545,029</u>	<u>622,176</u>
Liabilities			
Current liabilities			
Trade and other payables		49,643	71,361
Employee benefits		-	3,309
Total current liabilities		<u>49,643</u>	<u>74,670</u>
Non-current liabilities			
Employee benefits		-	449
Total non-current liabilities		<u>-</u>	<u>449</u>
Total liabilities		<u>49,643</u>	<u>75,119</u>
Net assets		<u>2,495,386</u>	<u>547,057</u>
Equity			
Issued capital	7	31,294,519	29,139,372
Reserves	8	(23,312,008)	(23,612,656)
Accumulated losses		(5,487,125)	(4,979,659)
Total equity		<u>2,495,386</u>	<u>547,057</u>

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 period ended 31 December 2017



Consolidated	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	28,833,224	(23,404,656)	(4,673,022)	755,546
Loss after income tax expense for the period	-	-	(256,874)	(256,874)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(256,874)	(256,874)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	45,000	-	-	45,000
Lapse of options	-	(208,000)	208,000	-
Balance at 31 December 2016	<u>28,878,224</u>	<u>(23,612,656)</u>	<u>(4,721,896)</u>	<u>543,672</u>
Consolidated	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	29,139,372	(23,612,656)	(4,979,659)	547,057
Loss after income tax expense for the period	-	-	(507,466)	(507,466)
Other comprehensive income for the period, net of tax	-	10,000	-	10,000
Total comprehensive income for the period	-	10,000	(507,466)	(497,466)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	2,155,147	-	-	2,155,147
Share-based payments (note 14)	-	290,648	-	290,648
Balance at 31 December 2017	<u>31,294,519</u>	<u>(23,312,008)</u>	<u>(5,487,125)</u>	<u>2,495,386</u>

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 period ended 31 December 2017



	Consolidated	
Note	31 December 2017	31 December 2016
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(254,042)	(286,340)
Interest received	9,058	3,240
	<u>(244,984)</u>	<u>(283,100)</u>
Cash flows from investing activities		
Payments for exploration and evaluation	(136,062)	(126,907)
Payments for security deposits	(1,240)	-
	<u>(137,302)</u>	<u>(126,907)</u>
Cash flows from financing activities		
Proceeds from issue of shares	7 2,178,171	-
Cost of capital raising	(23,024)	-
	<u>2,155,147</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	1,772,861	(410,007)
Cash and cash equivalents at the beginning of the financial period	174,353	640,660
Cash and cash equivalents at the end of the financial period	<u><u>1,947,214</u></u>	<u><u>230,653</u></u>

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 period. 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

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended 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 working capital position as at 31 December 2017 of the consolidated entity results in an excess of current assets over current liabilities of \$1,928,136 (30 June 2017: \$122,650). The consolidated entity made a loss after tax of \$507,466 during the period (2016: loss of \$256,874) and had net operating cash outflows of \$244,984 (2016: \$283,100). The cash balance as at 31 December 2017 was \$1,947,214 (30 June 2017: \$174,353).

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.

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.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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 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 consolidated entity 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 current year the board reviews the consolidated entity as one operating segment being mineral exploration within Australia.

Revenue by geographical area

All assets and liabilities and operations are based in Australia.

Note 5. Non-current assets - Available for sale financial assets

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Investment in Emperor Energy Limited (Formerly Oil Basins Limited)	3,900	3,900
Investment in Raven Energy Limited (Formerly Magnum Gas & Power Limited)	30,000	20,000
	<u>33,900</u>	<u>23,900</u>

Reconciliation

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

Opening fair value	23,900	67,800
Revaluation increments	10,000	-
Impairment of assets	-	(43,900)
	<u>33,900</u>	<u>23,900</u>

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

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

On 17 November 2015, Quantum Graphite Limited (ASX: QGL) announced that the consolidated entity's securities will be placed into a voluntary suspension subject to completion of a capital raising. As at the date of this report QGL's securities remained in suspension. On 18 July 2016 VXL appointed a Voluntary Administrator. In a letter to shareholders on 18 November 2016 QGL noted that a replacement board had been appointed, a Creditors deed of trust had been entered into, the company would change its name to Quantum Graphite Limited (ASX: QGL) and a shareholder meeting would be held to vote on the recapitalising of the of the company. That meeting was held on 18 December 2017. Based on QGL remaining in Administration the management has valued the QGL investment at Nil as at 31 December 2017.

During the period the consolidated entity undertook a number of actions to protect the interests in QGL. This included an attempted requisition for a general meeting of shareholders and an application to the Takeovers Panel. Unfortunately, these actions were not successful.

Investments in EMP, QGL and REL 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 31 December 2017 and 30 June 2017 (The QGL investment was valued according to quoted prices at 30 June 2015 but was impaired in full at 30 June 2016 as mentioned above).

The consolidated entity'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.

Ionic completed a capital raising at \$0.01 however based on there been no active market management has taken the conservative approach and carried the investment at Nil.

Note 6. Non-current assets - exploration and evaluation

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Exploration and evaluation - at cost	<u>510,368</u>	<u>378,364</u>

Reconciliations

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

Consolidated	Exploration \$
Balance at 1 July 2017	378,364
Acquisitions	136,062
Impairment of assets	<u>(4,058)</u>
Balance at 31 December 2017	<u>510,368</u>

Note 7. Equity - issued capital

	Consolidated			
	31 December	30 June 2017	31 December	30 June 2017
	2017	2017	2017	2017
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>840,000,000</u>	<u>404,365,876</u>	<u>31,294,519</u>	<u>29,139,372</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2017	404,365,876		29,139,372
Issue of fully paid ordinary shares	3 August 2017	200,000,000	\$0.005	1,000,000
Issue of fully paid ordinary shares	31 August 2017	235,634,124	\$0.005	1,178,171
Capital raising costs		<u>-</u>	<u>-</u>	<u>(23,024)</u>
Balance	31 December 2017	<u>840,000,000</u>		<u>31,294,519</u>

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.

Share buy-back

There is no current on-market share buy-back.

Note 8. Equity - reserves

	Consolidated	
	31 December 2017 \$	30 June 2017 \$
Options reserve	526,073	235,425
Demerger reserve	<u>(23,838,081)</u>	<u>(23,848,081)</u>
	<u>(23,312,008)</u>	<u>(23,612,656)</u>

Demerger reserve

This reserve is used to recognise the in-specie distribution to shareholders as a result of the demerger of Quantum Graphite Limited (ASX: QGL) on 27 April 2012.

Movements in reserves

Movements in each class of reserve during the current financial period are set out below:

Consolidated	Demerger reserve \$	Options reserve \$	Revaluation reserve surplus \$	Total \$
Balance at 1 July 2017	(23,848,081)	235,425	-	(23,612,656)
Share based payments	-	290,648	-	290,648
Revaluation increments	-	-	10,000	10,000
Balance at 31 December 2017	<u>(23,848,081)</u>	<u>526,073</u>	<u>10,000</u>	<u>(23,312,008)</u>

Note 9. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2017 and 30 June 2017.

Note 10. Commitments

	Consolidated	
	31 December 2017 \$	30 June 2017 \$
<i>Exploration Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	623,049	625,623
One to five years	<u>260,000</u>	<u>-</u>
	<u>883,049</u>	<u>625,623</u>

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.

Tenements held may also be subject to a royalty arrangement requiring royalties to be paid if certain milestones are met. Currently no tenements have yet reached a stage where royalties are payable and as such the amount cannot be estimated at this time.

Note 11. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2017 %	30 June 2017 %
Strategic Nickel Pty Ltd	Australia	100.00%	100.00%
Strategic Sands Pty Ltd	Australia	100.00%	100.00%

Note 12. Events after the reporting period

No matter or circumstance has arisen since 31 December 2017 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 13. Earnings per share

	Consolidated	
	31 December 2017 \$	31 December 2016 \$
Loss after income tax attributable to the owners of Strategic Energy Resources Limited	(507,466)	(256,874)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	723,645,023	351,345,327
Weighted average number of ordinary shares used in calculating diluted earnings per share	723,645,023	351,345,327
	Cents	Cents
Basic earnings per share	(0.07)	(0.07)
Diluted earnings per share	(0.07)	(0.07)

Note 14. Share-based payments

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

31 December 2017							
Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
04/05/2016	30/04/2019	\$0.0232	21,500,000	-	-	-	21,500,000
27/11/2017	28/11/2020	\$0.01	-	62,500,000	-	-	62,500,000
			21,500,000	62,500,000	-	-	84,000,000

Note 14. Share-based payments (continued)

31 December
2016

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Forfeited	Balance at the end of the period
31/10/2013	25/12/2016	\$0.0232	13,000,000	-	-	(13,000,000)	-
04/05/2016	30/04/2019	\$0.0232	21,500,000	-	-	-	21,500,000
			<u>34,500,000</u>	<u>-</u>	<u>-</u>	<u>(13,000,000)</u>	<u>21,500,000</u>

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
27/11/2017	28/11/2020	\$0.005	\$0.01	122.00%	1.83%	\$0.007

A total of 62,500,000 options were granted to Directors during the period, all of which vested immediately. The total share based payment booked during the period amounted to \$290,648.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial period 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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in dark ink, appearing to read 'Stuart Rechner', is written over a horizontal line.

Mr Stuart Rechner
Executive Chairman

15 March 2018

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

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Strategic Energy Resources Limited (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Strategic Energy Resources Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$507,466 during the half year ended 31 December 2017 and had net operating cash outflows of \$244,984. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half Year Financial Report

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

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Strategic Energy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B A Mackenzie
Partner - Audit & Assurance

Melbourne, 15 March 2018