



STRATEGIC ENERGY RESOURCES LIMITED  
ACN 051 212 429

31 July 2013

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## Quarterly Report to 30 June 2013

### HIGHLIGHTS FOR THE QUARTER:

- **HeliTEM geological survey completed on the Spencer project and data received, final interpretation pending**
- **Initial drill targets defined on the Spencer project**
- **Department of Defence access granted for Spencer drill program**
- **As previously reported, Engineering report completed for Uley graphite, with favourable economics confirmed**

*Strategic Energy Resources Limited (ASX Code: SER) holds a number of interests in oil and mineral exploration assets and the Uley graphite mine at Port Lincoln, South Australia (presently under care and maintenance). These include interests in three offshore petroleum exploration permits in the Gippsland Basin, Victoria, and an interest in one onshore petroleum exploration block in the Cooper Basin, South Australia. It holds mineral exploration licences in South Australia, Western Australia and Victoria.*

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# 1. MINERAL EXPLORATION

## 1.1 ULEY GRAPHITE MINE – 20% interest through Strategic Graphite Ltd PORT LINCOLN, SA

### Uley Graphite Project

Located only 23 kilometres from Port Lincoln, the regional centre for the Lower Eyre Peninsula in South Australia, Uley is recognised as a substantive and significant area of graphite mineralisation. The graphite deposit is one of the largest coarse flake graphite deposits in the world, containing disseminated, high-grade flake graphite.

The mineralisation is near surface and the graphite produced from the former operation was accepted by customers for its high quality.

### Update

The company has appointed a senior management team with extensive mining and industrial minerals experience to lead the program for development of the Uley mine. That program will include refining existing metallurgy and process design, implementing recovery of existing processed material and bringing Uley off care-and-maintenance with early production and sale of graphite from existing stockpiles while the new open pit is designed and brought online with a full scale facility. Discussions are ongoing with a number of groups on financing the project.

### Introduction- Scoping Study

As previously reported, a Scoping Study was completed by Tech Minerals Consulting Group and a further engineering report was commissioned. The completed engineering report has been incorporated into the revised Scoping Study, which included an enhanced marketing review.

### Cautionary Statement

This report on the results of the Scoping Study has been prepared to comply with the recently updated 2012 edition of the JORC Code. The following should be noted:

*'The Scoping Study referred to in this announcement is based on low level technical and economic assessments, and it is insufficient to support an estimation of ore reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.'* (JORC Code Cautionary Statement).

### Engineering Study

Some key parameters of the Scoping Study are summarised below:

The project economics for Uley have again been shown to be favourable and it has been recommended that the project should advance to production subject to further plant design.

The engineering study considered the capital and operating costs for a 50,000 tpa plant with the following conclusions -

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- Operating costs have been reduced significantly with efficiency in plant design which adds to the favourable economics of the project. Production costs are expected to be under \$300 per tonne.
- The average graphite price over the full range of products to be produced is expected to be A\$1,337, based on marketing study by Tech Minerals Consulting Group.
- Process plant capital expenditure for 50,000 tpa capacity is expected to be circa \$33m.
- Indicative EBITDA at full production in excess of A\$45m per annum using the graphite price as supplied by our marketing specialist @ US\$1.0425 conversion and the operating costs as indicated above.
- No significant infrastructure or environmental permitting constraints were identified.

According to the report the mine life is approximately 9 to 10 years under the current Resource Statement, of which just over six years is accounted for by Indicated Resources and the balance Inferred resources. See table below for key production variables.

Production Variables	Production Streams			Production Variables	
	Tonnes	Graphite C%	Total C – tonnes		
Fresh Ore Grade Calculation				Plant Capacity – (Annual Utilisation)	74.20%
Indicated (as per JORC)	4,300,000	9.4%	404,200	Average Head Grade	8.74%
Inferred (as per JORC)	2,300,000	7.5%	172,500	Mill Recovery Yield	85.00%
ROM (run of mine)(as per JORC) Total	6,600,000	8.74%	576,700	Plant Capacity (tones per day)	139

There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. No Ore Resources, in accordance with the JORC Code or other similar reporting codes have been generated by the Scoping Study.

Based on the previous production from Uley, the production split indicates that there will be a significant proportion of premium product produced. See table below.

	<b>Production Splits</b>	<b>Annual Graphite production</b>
Premium large flake: - 40 +60 mesh	16.05%	8,025
Premium large flake: - 60 +80 mesh	22.7%	11,369
Large graphite flake: - 80 + 150 mesh	14.7%	7,356
Fine graphite flake: - 150 + 300 mesh	46.50%	23,250
<b>Totals</b>	<b>100.0%</b>	<b>50,000</b>

A key conclusion of the report is that the Uley Graphite Project is considered to have positive economic potential.

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

SER as Operator of the 'Spencer Joint Venture' (SER 75% and Kingston Resources Ltd (ASX:KSN) 25%) has identified a series of 20 drill targets at EL 5010 located within the Olympic Copper Gold Province.

A preliminary review of the new HeliTEM geophysical data supports previously defined geophysical targets from the BHP Billiton (BHPB) Falcon survey.

The Department of Defence has granted access for a drill program which is now planned to start in the second half of 2013, subject to operational requirements.

### **About the Survey**

The HeliTEM survey flown over the licence earlier in the year was designed to find anomalism coincident to the anomalies identified by the BHPB Falcon gravity/magnetics survey recorded in 2004 and copper geochemistry.

### **About Spencer Project**

The project is 321 square kilometres and is located on the west coast of Spencer's Gulf. It remains one of the few areas along the Olympic Dam trend that has not been the subject of significant modern exploration techniques. This same trend is the home to some exceptional discoveries including: Olympic Dam, Carrapateena, Prominent Hill, Mount Gunson, Wallaroo, Moonta and Hill Side.

Favourable geology is clearly evident within the Spencer Project area including the outcrops of the Hiltaba granite and Moonabie formation, the age equivalent host of a number of IOGC style deposits throughout the Olympic Dam trend.

The deeper response (channel 25) of the HeliTEM survey is displayed in Fig 1 together with the lease boundary and restricted access areas of Native Heritage and the Impact Zone. The plan shows a conductive north-south corridor (whose western boundary is coincident with gravity defined intrusive faulting) with a north-east bifurcation towards the middle of the survey area. Large areas of conductive

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anomalism to the north-east, south-west and south-east are thought to be conductive salt water intrusions from the ocean and/or salt flats.

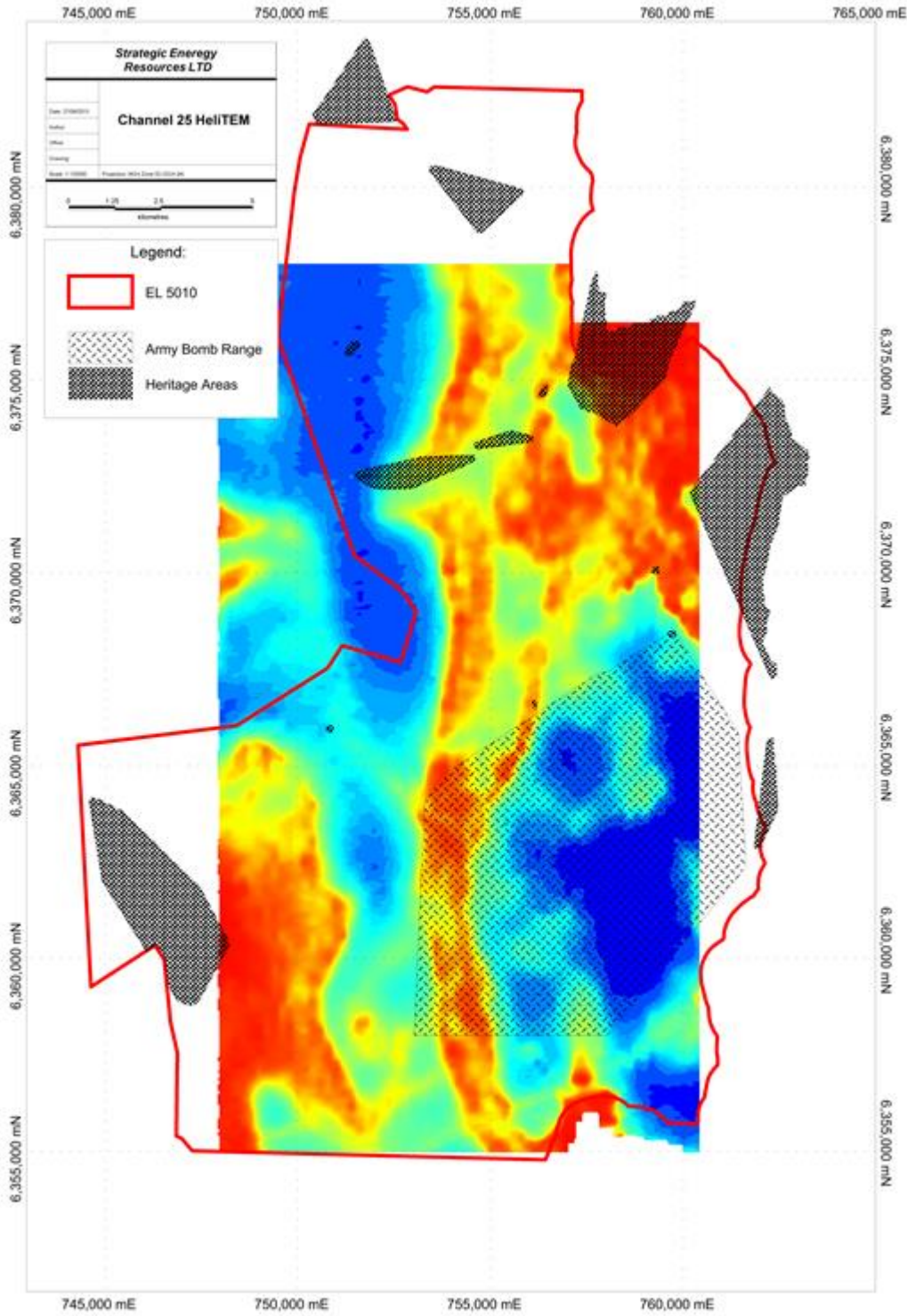


Fig 1. Channel 25 of HeliTEM survey with restricted access areas shown

**Next Steps**

Review and analysis of the data is expected to be completed in early August. The drill program has been awarded to a drilling contractor.

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### **1.3 MYALL CREEK (SER 50%) EL 5011 SOUTH AUSTRALIA**

The Myall Creek Copper Project (EL5011) covers an area of 381 km<sup>2</sup> and is located on the southern Stuart Shelf between Whyalla and Port Augusta, a highly prospective part of the eastern margin of the Gawler Craton. The Myall Creek Project includes a 15 kilometre zone with anomalous copper shown in historic drilling.

Previous work indicates that some mineralization is controlled by a redox contrast which exists between the base of the Tapley Hill formation and the underlying Pandurra Formation, a sandstone unit. This unconformable contact between the two sedimentary units continues to have a strong potential for high grade prospects.

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

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

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

The Falcon Bridge tenement EL 38/1970 covers an area of 138.1 sq km in the north eastern corner of Western Australia's Archaean Yilgarn Craton. Open File mapping obtained from the Department of Mines and Petroleum has delineated two strike aligned ultra-mafic units. The northern unit is approximately 5.8km in length striking north south of which the southern 3.8km lies within EL 38/1970. The southern ultra-mafic unit is approximately 9.15 km in strike length. Both the ultramafic units are prospective for komatiite hosted nickel sulphide mineralization.

Previous work completed by Ishine International Resources Ltd in 2010 defined a number of drill targets defined by a SQUID Moving Loop TEM Survey over what is known as the Toro-Grande Magnetic Anomaly. The targets are defined as weak conductor observed in the channel 25 and a later time conductor defined in the channel 40 image. Both these conductive units remain untested with previous drill programs failing to penetrate to the depth required to test the target.

The southern ultramafic unit lies wholly within the tenement and is approximately 7.38km in strike length and up to 400m in width. The unit strikes slightly west of north. An open file search has so far shown this unit to have undergone no previous nickel exploration and remains a key target within the tenement.

## **2. OIL AND GAS EXPLORATION**

### **2.1 PEL-182 ONSHORE PETROLEUM EXPLORATION – COOPER BASIN, SA**

As previously reported the Company's 5% interest in the block has been sold for \$5 million to Senex Energy Limited's subsidiary and party to the PEL182 JVOA (Joint Venture Operating Agreement) Victoria Oil Exploration (1977) Pty Ltd and Acer Energy Limited, who exercised its right of pre-emption.

To date SER has received the balance of funds due from Senex Energy Limited, with the registration of the Acer Energy Limited still to complete. The balance of funds from the Acer Energy Limited part of the sale is due before September.

## **2.2 VIC/P47 – (SER 25%) OFFSHORE GIPPSLAND BASIN**

Permit Vic/P47 is located in the offshore Gippsland Basin, approximately 10 km offshore, south of the Victorian town of Orbost. Water depths range up to 80 metres. The permit comprises three graticular blocks and contains the Judith and Moby gas discoveries.

During the quarter a re-assessment of the Judith gas resource was completed by Gaffney Cline & Associates (GCA). This was an update of its previous 2008 assessment of Contingent Resources for the Judith discovery to incorporate new seismic inversion data. GCA stated that the seismic inversion processing enabled it to decrease the uncertainty in the Contingent Resource estimates. The seismic inversion data highlighted that structural and stratigraphic complexities may limit reservoir connectivity and in light of this the previous GCA High Case may no longer be valid. The gross contingent resource (Bscf) for the field where assessed as 1C – 37, 2C – 101 and 3C – 276.

The JV applied to the National Offshore Petroleum Titles Administrator for a Declaration of Locations over nominated blocks covering the Judith and Moby discoveries within Vic/P47. The Judith application was not approved and a decision on the Moby application is pending.

## **2.3 VIC/P41 – (SER 17.5%) EASTERN OFFSHORE GIPPSLAND BASIN**

Permit Vic/P41 (539 square kilometres) is located in the east of the offshore Gippsland Basin, approximately 40 kilometres south of the Victorian coast.

During the quarter a variation to the Year 2 work program for the permit was approved. The JV is now required to complete 430 sq km of 3D seismic reprocessing, fault seal and QI studies.

## **2.4 VIC/P66 – (SER 23%) EASTERN OFFSHORE GIPPSLAND BASIN**

Permit Vic/P66 (2,160 square kilometres) is located adjacent to Vic/P66 in the east of the offshore Gippsland Basin, approximately 40 kilometres south of the Victorian coast.

The Vic/P66 Joint Venture partners have applied to surrender the permit.

## **2.5 CORPORATE UPDATE**

A process has been implemented to sell, on market, holdings of less than 12,500 ordinary fully paid shares ('small holdings') on behalf of shareholders who do not wish to retain their shares in the Company. The Company has a large percentage of shareholders holding less than marketable parcels. By divesting small holdings, the

Company reduces its administrative and share registry costs. The proceeds will be distributed to the shareholders within 10 days of the sale of all of the unmarketable parcels. The sale process is ongoing.



**Mark Muzzin**  
**Managing Director**

**Competent Person Statement**

*The information in this report related to Exploration is based on information compiled by Mr Adrian Dellar who is a member of the Australasian Institute of Mining and Metallurgy. Mr Dellar is working in the role of Senior Geologist for Strategic Energy Resources. Mr Dellar has sufficient experience, which is relevant to the style of mineralization and deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and ore reserves" Mr Dellar consents to the inclusion in the report for the matters on his information in the form and context which it appears.*

**Risk Factors**

*Various statements in this release constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, expectations, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or impliedly portrayed herein. Furthermore, exploration for oil, gas and minerals is speculative, expensive and subject to a wide range of risks. Individual investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional advisor as to the suitability for them of an investment in the Company.*

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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

STRATEGIC ENERGY RESOURCES LIMITED

ABN

14 051 212 429

Quarter ended ("current quarter")

30 JUNE 2013

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(219)	(636)
(b) development	-	-
(c) production	-	-
(d) administration	(193)	(1,226)
(e) bank guarantee	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	14	65
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Demerger Implementation Fees	-	-
<b>Net Operating Cash Flows</b>	<b>(398)</b>	<b>(1,797)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects (including deposits received)	-	2,840
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Research and Development – Monash University	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>2,840</b>
1.13 Total operating and investing cash flows (carried forward)	(398)	1,043

+ See chapter 19 for defined terms.

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Appendix 5B  
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(398)	1,043
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	<b>(398)</b>	<b>1,043</b>
1.20	Cash at beginning of quarter/year to date	2,513	1,072
1.21	Demerger of Tarcoola Gold Limited	-	-
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	<b>Cash at end of quarter</b>	<b>2,115</b>	<b>2,115</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	130
1.25	Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

Director's fees and consulting fees paid during the June 2013 quarter.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,000
4.2 Development	-
4.3 Production	-
4.4 Administration	200
<b>Total</b>	<b>1,200</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,020	500
5.2 Deposits at call	1,095	2,013
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>2,115</b>	<b>2,513</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

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**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

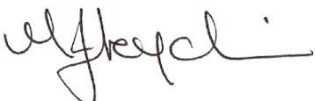
	Number issued	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	348,622,501	348,622,501		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.7 <b>Options</b> <i>(description and conversion factor)</i>				
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Cancelled during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 31 July 2013

Print name: MELANIE LEYDIN  
(Company Secretary)

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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