



STRATEGIC ENERGY RESOURCES LIMITED

ACN 051 212 429

Suite 304, 22 St.Kilda Road, St.Kilda VIC 3182

14 October 2011

Tel: (03) 9692 7222

Fax: (03) 9529 8057

Quarterly Report to 30 September 2011

HIGHLIGHTS FOR THE QUARTER:

- Deal with Mega Graphite signed
- AUD\$786,692 received from Mega to cover costs of implementation
- Mega continue evaluation of Uley material
- Cores from the two holes at Myall Creek sent for assay
- SER to be represented at two international conferences

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 significant 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 (SER 100%) 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 traders for its high quality.

Mega Graphite deal

An implementation agreement was signed with Mega Graphite Inc. (Mega) for the acquisition of the Uley Graphite Project. SER received AUD \$786,692 to aid the implementation of the deal.

Highlights of the Agreement

- Implementation Deed signed with MEGA Graphite Inc for the acquisition of a demerged subsidiary of SER which owns all rights to the Uley graphite project.
- The Demerger Scheme and Transfer Scheme are subject to the approval of the SER shareholders and Participants.
- 80% of the shares in a demerged subsidiary containing the Uley graphite project will be distributed to shareholders and 20% retained by SER.
- Shares in the demerged subsidiary will be acquired under a Transfer Scheme, in exchange for shares in MEGA Graphite, if MEGA Graphite obtains listing on the TSX; or a listed entity with which MEGA Graphite merges (Transfer Scheme Scrip).

The amount of the Transfer Scheme Scrip will be equal to the greater of:

- 33% of the issued capital of MEGA Graphite; or
 - a higher percentage of the issued capital in MEGA Graphite if required to reflect the value of Uley, which value must be a minimum of CDN\$70m.
- An AUD\$786,692 cash payment has been received by SER from MEGA Graphite, and a further CDN\$200,000 payment is due upon the Transfer Scheme becoming Effective.
 - SER to retain a direct holding in MEGA Graphite (or a listed merger entity) allowing shareholders exposure to graphite value adding business.
 - The minimum project value of CDN\$70m has an indicative value of approximately 20 cents per SER share on a fully diluted basis.

- SER Shareholders can retain their shares in SER which will also have an interest in MEGA Graphite (or a listed merger entity), and SER retains a 1.5% royalty on all product sales revenue from the Uley graphite project.

Mega has existing graphite properties and customers and is focussed on delivering new technology applications for emerging markets.

SER shareholders are poised to leverage on value added opportunities in the graphite business.

Ontario-based Mega owns several graphite properties in North America. It is currently working on off-take agreements for large flake graphite and graphite products for emerging graphite markets to customers around the world. It also owns a rare earth project and places a strong focus on research and development for new technology applications.

SER continues to work with lawyers and Mega on the required documents and Mega has continued its evaluation of the Uley material.

Conferences

Industrial Minerals Events is holding the first “World Graphite Conference” in London in December. SER will be attending and presenting on Uley. In addition in November in Germany, SER will be represented at an investment conference on commodities, as a part of a panel on potential graphite investments.

1.2 MYALL CREEK (SER 50%) EL 3538 SOUTH AUSTRALIA

The Myall Creek Copper Project (EL3538) covers an area of 381 km² and is located on the southern Stuart Shelf between Whyalla and Port Augusta, a highly prospective part of the eastern margin of the Gawler Craton. SER holds a 50% interest in the licence. The license area is immediately west of the Torrens Hinge Zone and close to the sites of the Hiltaba granites. Copper and base metal mineralisation has been delineated over a wide area and in a range of the Proterozoic host rocks in this region.

The exploration programme was focused on a prospect named Honeymoon Dam. The Honeymoon Dam Prospect is 2.5km south of the known Myall Creek mineralisation zone. Depths to the mineralisation zones in the area are in the range of 50-150m.

Two holes were completed after hitting basement rocks, with mineralisation evident in the holes. The third and final hole encountered a number of difficulties and ceased at 105.2 meters, some 10 meters short of the interpreted mineralised zone. The hole was called to a halt due to poor weather conditions. Further drilling will depend on weather and rig availability. Subsequent to end of the quarter, the cores for the two completed holes has been submitted for assay.

1.3 CULTANA (SER 75%) EL 3547 SOUTH AUSTRALIA

The Cultana Lease EL3547 covers an area of 792 km² within the Cultana Army Training Area south of Port Augusta in South Australia. Access to the Army Base has only been approved for mineral exploration on three prior occasions. Ten holes were drilled in the licence area, and none of them penetrated crystalline basement. The Cultana Inlier is considered to be one of the best remaining blocks to explore for IOCG (iron oxide, copper, gold) mineralisation in South Australia. SER holds a 75% interest in the licence.

The project still requires the standard regulatory approvals from PIRSA and more importantly, access permission from both the Department of Defence and Department of Finance prior to any exploration program. There are also Cultural Heritage issues that require consultation and clearance from indigenous groups. The approval process is currently being worked through.

SER believes access permission should be granted for drilling, subject to all approvals.

1.4 FALCON BRIDGE (SER 95% diluting) E38/1970, P38/3382, P38-3383-4 WESTERN AUSTRALIA

In late 2009, Ishine International Resources Ltd ("ISH") entered into a Joint Venture Agreement allowing Ishine to earn up to a 70% interest from SER in the tenements by funding up to \$3 million on exploration expenditure. The Joint Venture area covers approximately 17km of strike of ultramafic rich stratigraphy in the Duketon Greenstone Belt coincident with linear magnetic anomalism.

During 2010 Ishine completed two rounds of drilling at the Falcon Bridge Nickel Project, 80km north of Laverton in the highly prospective Duketon Greenstone Belt. Initially 72 Aircore holes were drilled for 3,446m across six east-west traverses which resulted in the encouraging nickel and copper assays.

During late 2010 a short 8-hole reverse circulation (RC) drilling program was carried out to test some of these anomalies beneath the base of weathering and/or intersect the basal contact position of the ultramafic unit. A total of 1,199m were drilled with most holes reaching target depth.

Results were generally consistent with the first program of drilling with elevated nickel within the upper, weathered portion of the holes drilled. Results included:

- FBRC001 57m @0.43% Ni & 71ppm Cu from 30m
- FBRC00 45m @ 0.52% Ni & 87ppm Cu from 39m

ISH has received an external specialist's review report on the Falcon Bridge JV project. Upon completion of a review of this report, ISH will make a further decision on its position on exploration programs for this project.

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2. OIL AND GAS EXPLORATION

2.1 PEL-182 - (SER 5%) ONSHORE PETROLEUM EXPLORATION – COOPER BASIN, SA

The operator has applied for a further suspension and extension as the region is still flooded.

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

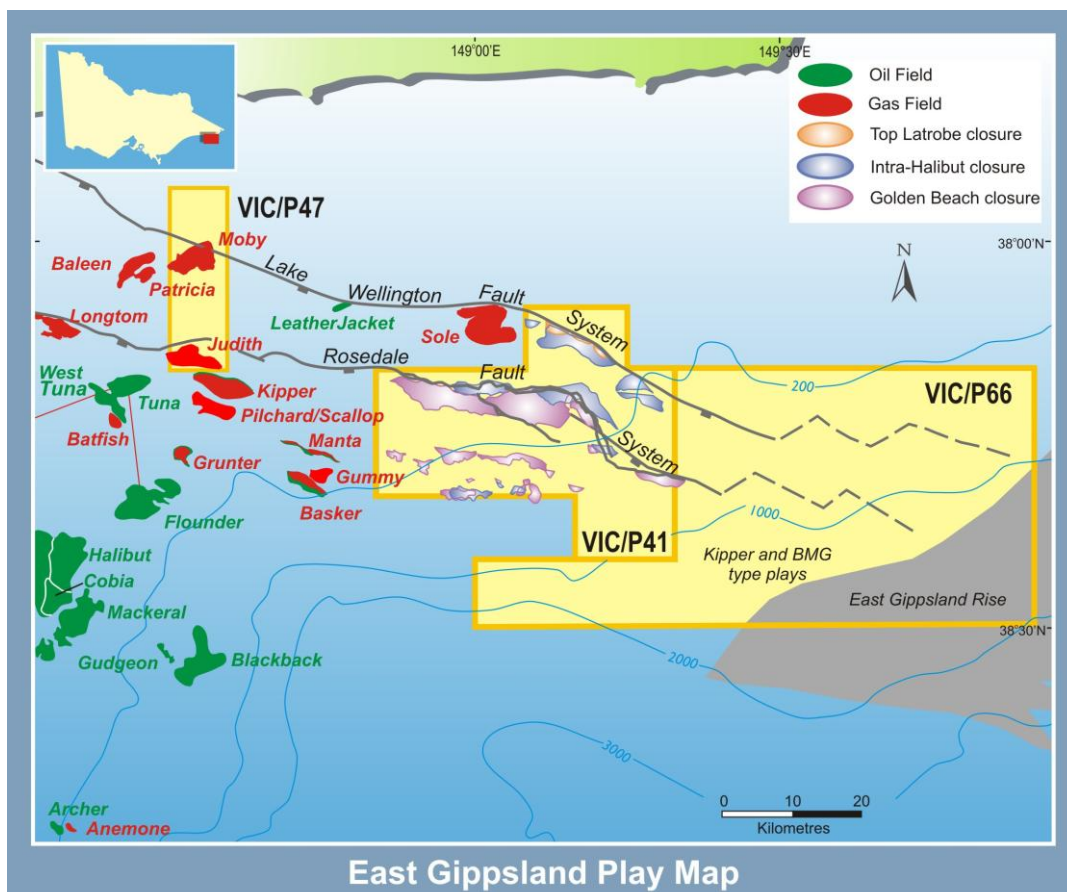
The Vic/P47 exploration permit is located in the offshore Gippsland Basin, 14 km from the coast and south of the Victorian town of Orbost, with water depths ranging up to 80m.

Vic/P47 contains the Judith and Moby gas discoveries. Judith contains certified gas resources (Gaffney Cline & Associates 2008) and both Judith and Moby are in close proximity to existing and planned infrastructure in adjacent licences. 22 km to the west, the Longtom Field has commenced gas production – the first production from the same geological unit as the Judith discovery.

A short distance to the south of the Judith field, ExxonMobil is currently drilling Kipper field development wells with a target of first production of gas and liquids in 2011.

The Joint Venture is preparing to commence a simultaneous seismic inversion study to enhance the definition of the Judith and Moby fields.

Discussions with potential Vic/P47 farminees are continuing.



**2.3 VIC/P41 – (SER 25% possibly diluting to 17.5%)
VIC/P66 – (SER 23%)
EASTERN OFFSHORE GIPPSLAND BASIN**

Permits Vic/P41 and Vic/P66 are located adjacent to each other in the east of the offshore Gippsland Basin, from approximately 40 km south of the Victorian coast. The operator maps extensions of two productive trends across its East Gippsland permits:

- the eastward extension Rosedale Fault system sets up prospects analogous to the Kipper oil and gas field (development drilling underway ahead of first production scheduled for 2011)
- further south, a second trend extension is analogous to the Basker / Manta / Gummy oil and gas fields (in production since December 2006 for Roc Oil and partners).

Vic/P41 contains a number of large prospects defined on modern 3D seismic, notably Kipling, Benchley and Oscar, whereas Vic/P66 while containing an part of the 2D-defined 'Lead A' feature, is still at an early stage of exploration with clear potential to further extend the Rosedale trend in to new areas.

To further define and 'de-risk' these opportunities two new technical studies have been completed. A simultaneous seismic inversion project (Vic/P41) analysed both 2D and 3D seismic over Rosedale trend prospects and leads (i.e. Kipper analogues) for indications of hydrocarbon anomalies and other factors. This work has demonstrated that the seismic inversion signature of these prospects is exactly the same as that of the Kipper Field, greatly reducing the risk associated with drilling. In addition, a basin modelling project (jointly funded by Vic/P41 and Vic/P66) has defined the nature of hydrocarbon charge in to the east Gippsland area as well as the timing and migration pathways of this charge. It shows the area immediately south of the permits is mature. It is modelled as having generated and expelled hydrocarbons at a time where they could migrate towards the basin margin and be trapped in the structures identified in Vic/P41 and Vic/P66. The interpretation that the gas in the Sole Field is biodegraded themogenic gas further enhances the concept of a "fill/spill chain" through the permit.

Vic/P41 was due for renewal during the September 2011 quarter and the Joint Venture has prepared the renewal application which has been submitted to the authorities.

Discussions with potential Vic/P41 and Vic/P66 farminees are continuing.



Mark Muzzin
Managing Director

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Competent Person Statement

The Myall Creek information is based on information compiled by SER's chief geological consultant, Dr Wenlong Zang. Dr Zang is engaged by SER and is a qualified person as defined under the ASX Listing Rules and has consented in writing to the inclusion of the information.

The Falcon Bridge technical information in this report that relates to Exploration Results is based on information reviewed by Mr Martin Dormer who is a member of The Australasian Institute of Mining and Metallurgy. Mr Martin Downer is a Chief Geologist of Ishine International Resources Ltd. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Martin Dormer consents to the inclusion in this report of the matters based on his information in the form and consent in 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 SEPTEMBER 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(169)	(169)
(b) development	-	-
(c) production	-	-
(d) administration	(216)	(216)
(e) legal fees – demerger/transfer schemes	(167)	(167)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	17
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	787	787
Net Operating Cash Flows	252	252
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(7)	(7)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	51	51
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	44	44
1.13 Total operating and investing cash flows (carried forward)	296	296

+ 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)	296	296
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	55	55
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)	-	-
	Net financing cash flows	55	55
	Net increase (decrease) in cash held	351	351
1.20	Cash at beginning of quarter/year to date	1,134	1,134
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,485	1,485

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
1.23	Aggregate amount of payments to the parties included in item 1.2	82
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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	215
4.2 Development	-
4.3 Production	-
4.4 Administration	140
Total	355

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	464	100
5.2 Deposits at call	1,021	1,034
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,485	1,134

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	Par value (cents)	Paid-up value (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	334,622,499	334,622,499		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	1,100,000	1,100,000	\$0.050	\$55,000
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.7 Options <i>(description and conversion factor)</i>	4,000,000	-	<i>Exercise price</i> \$0.05	<i>Expiry date</i> 09/05/2013
	2,000,000	-	\$0.10	12/12/2012
	3,000,000	-	\$0.04	30/06/2014
	2,000,000	-	\$0.05	30/06/2014
	2,500,000	-	\$0.06	30/06/2014
	2,500,000	-	\$0.08	30/06/2014
7.8 Issued during quarter				
7.9 Exercised during quarter	1,100,000	-	\$0.05	
7.10 Cancelled during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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: 14th October 2011

Print name: MELANIE LEYDIN

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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