

Strategic Energy Resources Limited

ABN 14 051 212 429

Half-year Financial Report - 31 December 2018

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Strategic Energy Resources Limited
Contents
31 December 2018



Corporate directory	2
Directors' report	3
Auditor's independence declaration	4
Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	17
Independent auditor's review report to the members of Strategic Energy Resources Limited	18

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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 Melbourne, VIC 3008 Ph: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd Tower 5, 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

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 2018.

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)
Mr Harvey Kaplan (Non-Executive Director)
Dr David DeTata (Non-Executive Director)

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 \$437,332 (31 December 2017: \$507,466).

The net assets of the consolidated entity decreased by \$92,454 to \$2,134,138 as at 31 December 2018 (30 June 2018: \$2,226,592). The consolidated entity had net cash outflows from operating activities for the period of \$346,002 (31 December 2017: \$244,984). Working capital, being current assets less current liabilities, decreased by \$168,708 to \$1,454,101 (30 June 2018: \$1,622,809).

Significant changes in the state of affairs

On 14 August 2018, the consolidated entity issued 44,000,000 fully paid ordinary shares raising a total of \$220,000 (before costs).

On 7 December 2018, the consolidated entity issued 16,000,000 fully paid ordinary shares raising a total of \$80,000 (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

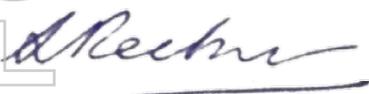
No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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



Mr Stuart Rechner
Executive Chairman

14 March 2019

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 2018. 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, 14 March 2019

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Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2018



		Consolidated	
	Note	31 December 2018	31 December 2017
		\$	\$
Revenue			
Interest income		10,966	13,693
Expenses			
Employee benefits expense		(71,888)	(78,744)
Share based payments	15	-	(290,648)
Corporate expenses		(109,826)	(124,612)
Exploration expenditure written off	7	(107,094)	(4,058)
Other expenses		(159,490)	(23,097)
Loss before income tax expense		(437,332)	(507,466)
Income tax expense		-	-
Loss after income tax expense for the period attributable to the owners of Strategic Energy Resources Limited		(437,332)	(507,466)
Other comprehensive income			
<i>Items that will not subsequently be transferred to profit or loss</i>			
Gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax		44,878	-
<i>Items that may subsequently be transferred 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		44,878	10,000
Total comprehensive income for the period attributable to the owners of Strategic Energy Resources Limited		<u>(392,454)</u>	<u>(497,466)</u>
		Cents	Cents
Basic earnings per share	14	(0.05)	(0.07)
Diluted earnings per share	14	(0.05)	(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 2018



		Consolidated	
	Note	31 December 2018 \$	30 June 2018 \$
Assets			
Current assets			
Cash and cash equivalents		1,480,949	1,665,419
Trade and other receivables		18,134	11,449
Prepayments		21,987	10,742
Total current assets		<u>1,521,070</u>	<u>1,687,610</u>
Non-current assets			
Available-for-sale financial assets	5	-	3,900
Financial assets at fair value through other comprehensive income	6	43,578	-
Exploration and evaluation	7	613,186	576,610
Other non-current assets		23,273	23,273
Total non-current assets		<u>680,037</u>	<u>603,783</u>
Total assets		<u>2,201,107</u>	<u>2,291,393</u>
Liabilities			
Current liabilities			
Trade and other payables		66,969	64,801
Total current liabilities		<u>66,969</u>	<u>64,801</u>
Total liabilities		<u>66,969</u>	<u>64,801</u>
Net assets		<u>2,134,138</u>	<u>2,226,592</u>
Equity			
Issued capital	8	31,594,519	31,294,519
Reserves	9	(23,278,430)	(23,322,008)
Accumulated losses		(6,181,951)	(5,745,919)
Total equity		<u>2,134,138</u>	<u>2,226,592</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 2018



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	2,155,147	-	-	2,155,147
Share-based payments (note 15)	-	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>
Consolidated	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	31,294,519	(23,322,008)	(5,745,919)	2,226,592
Loss after income tax expense for the period	-	-	(437,332)	(437,332)
Other comprehensive income for the period, net of tax	-	44,878	-	44,878
Total comprehensive income for the period	-	44,878	(437,332)	(392,454)
De-recognition of asset revaluation reserve surplus upon sale of investment	-	(1,300)	1,300	-
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	300,000	-	-	300,000
Balance at 31 December 2018	<u>31,594,519</u>	<u>(23,278,430)</u>	<u>(6,181,951)</u>	<u>2,134,138</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 2018



	Note	Consolidated	
		31 December 2018	31 December 2017
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(355,849)	(254,042)
Interest received		9,847	9,058
Net cash used in operating activities		<u>(346,002)</u>	<u>(244,984)</u>
Cash flows from investing activities			
Payments for exploration and evaluation		(143,668)	(136,062)
Payments for security deposits		-	(1,240)
Proceeds from disposal of investments		5,200	-
Net cash used in investing activities		<u>(138,468)</u>	<u>(137,302)</u>
Cash flows from financing activities			
Proceeds from issue of shares	8	300,000	2,178,171
Cost of capital raising		-	(23,024)
Net cash from financing activities		<u>300,000</u>	<u>2,155,147</u>
Net increase/(decrease) in cash and cash equivalents		(184,470)	1,772,861
Cash and cash equivalents at the beginning of the financial period		<u>1,665,419</u>	<u>174,353</u>
Cash and cash equivalents at the end of the financial period		<u><u>1,480,949</u></u>	<u><u>1,947,214</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 14 March 2019. 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 2018 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 2018 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Note 2. Significant accounting policies (continued)

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the consolidated entity has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

While this represents significant new guidance, the implementation of this new guidance did not have a material impact on the financial assets or the impairment of financial assets for the consolidated entity as at 31 December 2018. Following the adoption of AASB 9 the consolidated entity now recognises its investments as *Financial assets at fair value through other comprehensive income* when compared to 30 June 2018 where the investments were referred to as *Available-for-sale financial assets*.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are non-derivative financial assets, principally equity securities. The consolidated entity has made an irrevocable election to recognise changes in fair value after initial recognition through OCI rather than profit and loss. Upon disposal of these equity investments, any balance within the OCI reserve for these investments is reclassified to retained earnings and is not reclassified to profit and loss.

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. Should any of these indicators imply a significant increase in the instrument's credit risk, the consolidated entity recognises for this instrument or class of instruments the lifetime expected credit losses.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 July 2018.

While this represents significant new guidance, the implementation of this new guidance had no impact on the timing or amount of revenue recognised by the consolidated entity during the half year. The adoption of AASB 15 had no impact on the consolidated entity's statement of cash flows.

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 2018 of the consolidated entity results in an excess of current assets over current liabilities of \$1,454,101 (30 June 2018: \$1,622,809). The consolidated entity made a loss after tax of \$437,332 during the period (2017: loss of \$507,466) and had net operating cash outflows of \$346,002 (2017: \$244,984). The cash balance as at 31 December 2018 was \$1,480,949 (30 June 2018: \$1,665,419).

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. In the event that the consolidated entity is unable to raise sufficient capital or liquidate assets, it may not be able to realise assets/liabilities at the amounts disclosed within this report.

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 2018 \$	30 June 2018 \$
Investment in Emperor Energy Limited	-	3,900
<i>Reconciliation</i>		
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	3,900	23,900
Disposals	(5,200)	-
Revaluation increments	1,300	-
Revaluation decrements	-	(20,000)
Closing fair value	-	3,900

Prior to 1 July 2018 the investment in Emperor Energy Limited was designated as available-for-sale under AASB 139. Upon adoption of AASB 9 on 1 July 2018 the consolidated group elected to reclassify the investment as fair value through other comprehensive income. The consolidated entity disposed of 1,300,000 fully paid ordinary shares in Emperor Energy Limited (ASX: EMP) during September 2018.

Note 6. Non-current assets - Financial assets at fair value through other comprehensive income

	Consolidated	
	31 December 2018 \$	30 June 2018 \$
Investment in Quantum Graphite Limited	43,578	-

The consolidated entity currently holds 20,000,000 fully paid ordinary shares in Gasfields Limited (ASX:GFS) (formerly Raven Energy Limited (ASX:REL)). As at 30 June 2018 GFS had a carrying value of \$40,000 based off its last traded price of \$0.002 on 2 March 2018. On 13 April 2018 GFS extended its voluntary suspension pending the divestment of its Botswana assets and negotiations regarding a strategic acquisition. On 14 January 2019 GFS announced its December 2018 Appendix 5B and noted cash and cash equivalents of \$1,000. Given the uncertainty about GFS 's ability to continue as a going concern, its ability to realise the value of its Botswana assets through divestment and the uncertainty of when the shares will be released from suspension and tradeable, management has continued to carry the value at Nil.

Investments in GFS 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 2018 (At 31 December 2018 and as noted above the investment in GFS is currently been carried at Nil).

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 \$0.04 however based on there been no active market management has continued to carry the investment at Nil.

Note 7. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2018 \$	30 June 2018 \$
Exploration and evaluation - at cost	<u>613,186</u>	<u>576,610</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 2018	576,610
Acquisitions	143,670
Impairment of assets	<u>(107,094)</u>
Balance at 31 December 2018	<u>613,186</u>

Note 8. Equity - issued capital

	Consolidated			
	31 December 2018 Shares	30 June 2018 Shares	31 December 2018 \$	30 June 2018 \$
Ordinary shares - fully paid	<u>900,000,000</u>	<u>840,000,000</u>	<u>31,594,519</u>	<u>31,294,519</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	840,000,000		31,294,519
Issue of fully paid ordinary shares	14 August 2018	44,000,000	\$0.005	220,000
Issue of fully paid ordinary shares	7 December 2018	<u>16,000,000</u>	\$0.005	<u>80,000</u>
Balance	31 December 2018	<u>900,000,000</u>		<u>31,594,519</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 9. Equity - reserves

	Consolidated	
	31 December	
	2018	30 June 2018
	\$	\$
Options reserve	526,073	526,073
Demerger reserve	(23,848,081)	(23,848,081)
Revaluation reserve surplus	43,578	-
	<u>(23,278,430)</u>	<u>(23,322,008)</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 2018	(23,848,081)	526,073	-	(23,322,008)
Revaluation increments	-	-	44,878	44,878
De-recognition of asset revaluation reserve surplus upon sale of investment	-	-	(1,300)	(1,300)
Balance at 31 December 2018	<u>(23,848,081)</u>	<u>526,073</u>	<u>43,578</u>	<u>(23,278,430)</u>

Note 10. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2018 and 30 June 2018.

Note 11. Commitments

	Consolidated	
	31 December	
	2018	30 June 2018
	\$	\$
<i>Exploration Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	466,778	581,732
One to five years	260,000	260,000
	<u>726,778</u>	<u>841,732</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 12. 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 2018 %	30 June 2018 %
Strategic Nickel Pty Ltd	Australia	100.00%	100.00%
Strategic Sands Pty Ltd	Australia	100.00%	100.00%

Note 13. Events after the reporting period

No matter or circumstance has arisen since 31 December 2018 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 14. Earnings per share

	Consolidated	
	31 December 2018 \$	31 December 2017 \$
Loss after income tax attributable to the owners of Strategic Energy Resources Limited	(437,332)	(507,466)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	875,326,087	723,645,023
Weighted average number of ordinary shares used in calculating diluted earnings per share	875,326,087	723,645,023
	Cents	Cents
Basic earnings per share	(0.05)	(0.07)
Diluted earnings per share	(0.05)	(0.07)

Note 15. Share-based payments

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

31 December 2018							
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
			84,000,000	-	-	-	84,000,000

Note 15. Share-based payments (continued)

31 December
2017

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Forfeited	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
			<u>21,500,000</u>	<u>62,500,000</u>	<u>-</u>	<u>-</u>	<u>84,000,000</u>

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Strategic Energy Resources Limited
Directors' declaration
31 December 2018



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 2018 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 blue ink, appearing to read 'Stuart Rechner', is written over a horizontal line.

Mr Stuart Rechner
Executive Chairman

14 March 2019

Independent Auditor's Review Report

To the Members of Strategic Energy Resources Limited

Report on the review of 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 2018, 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 2018, 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 \$437,332 during the half year ended 31 December 2018. 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 Company 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.

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 2018 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.

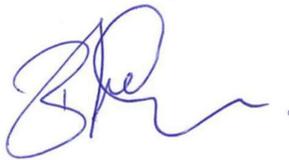
A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards 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, 14 March 2019

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