

Strategic Energy Resources Limited

ABN 14 051 212 429

Half-year Financial Report - 31 December 2019

For personal use only

Strategic Energy Resources Limited
Contents
31 December 2019



Corporate directory	2
Directors' report	3
Auditor's independence declaration	5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	17
Independent auditor's review report to the members of Strategic Energy Resources Limited	18

For personal use only

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 2019.

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.

Dividends

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

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to \$294,375 (31 December 2018: \$437,332).

The net assets of the Consolidated Entity increased by \$59,555 to \$1,927,847 as at 31 December 2019 (30 June 2019: \$1,868,292). The Consolidated Entity had net cash outflows from operating activities for the period of \$238,555 (31 December 2018: \$346,002). Working capital, being current assets less current liabilities, decreased by \$436,380 to \$559,866 (30 June 2019: \$996,246).

SER has made significant progress across our projects and generated a number of new opportunities over the six months to 31 December 2019.

Perhaps the most important development has been exploration success at our Saxby Gold Project in Queensland. Our first drill hole at Saxby intersected 6m @ 12g/t Au including a high-grade zone of 2m @ 32g/t Au. This intersection occurred between historical hits of 9m @ 11g/t Au and 8m @ 15g/t Au approximately 190m apart. SER believes Saxby represents a significant high-grade gold system that warrants a substantial, concerted exploration program. SER has secured the most prospective ground around Saxby.

At our Copper-Gold projects, SER commissioned a ground gravity survey for Billa Kalina and FMG commenced exploration at Myall Creek (where they must drill 1500m to earn an interest). SER also entered the competitive tender process for highly prized Cu-Au exploration licences in the East Tennant region of the Northern Territory. Subsequent to the half year, SER won this ground.

At our Ambergate Heavy Mineral Sands Project, we have completed planning for the infill drilling and sampling required to upgrade the JORC 2012 Inferred Mineral Resource to the "Indicated" category which will allow SER to publish a Scoping Study. Our investment in Ionic Industries and royalty over the Uley Graphite Mine continue to progress towards realising value for SER.

SER has a busy year ahead in 2020 with geophysics and exploratory drilling at Saxby, Billa Kalina, Myall Creek (by JV partner FMG) and East Tennant (under the National Drilling Initiative).

SER's strategy of greenfields explorer and counter-cyclical project generator is about to bear fruit. We are perfectly placed to take advantage of the challenges of our industry: decline in mineral discoveries, lack of emerging new mines and loss of geoscience talent. We thank our shareholders for their support and look forward to sharing more exploration success.

Significant changes in the state of affairs

On 5 July 2019, the Company issued 50,000,000 fully paid ordinary shares (Shares) to investors at an issue price of \$0.006 (0.6 cents) per Share and raised \$300,000.

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 2019 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

13 March 2020

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 for the half-year ended 31 December 2019, 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, 13 March 2020

Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2019



		Consolidated	
	Note	31 December 2019	31 December 2018
		\$	\$
Interest income		6,490	10,966
Expenses			
Employee benefits expense		(71,754)	(71,888)
Share based payments	13	(62,263)	-
Corporate expenses		(94,606)	(109,826)
Exploration expenditure written off		-	(107,094)
Other expenses		(32,676)	(60,487)
Tenement due diligence and other exploration expenses		(39,566)	(99,003)
		<hr/>	<hr/>
Loss before income tax expense		(294,375)	(437,332)
Income tax expense		-	-
		<hr/>	<hr/>
Loss after income tax expense for the period attributable to the Owners of Strategic Energy Resources Limited		(294,375)	(437,332)
Other comprehensive income			
<i>Items that will not subsequently be transferred to profit or loss</i>			
(Loss) / gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax		(8,334)	44,878
		<hr/>	<hr/>
Other comprehensive income for the period, net of tax		(8,334)	44,878
		<hr/>	<hr/>
Total comprehensive income for the period attributable to the Owners of Strategic Energy Resources Limited		(302,709)	(392,454)
		<hr/> <hr/>	<hr/> <hr/>
		Cents	Cents
Basic earnings per share	12	(0.03)	(0.05)
Diluted earnings per share	12	(0.03)	(0.05)

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 2019



		Consolidated	
	Note	31 December 2019 \$	30 June 2019 \$
Assets			
Current assets			
Cash and cash equivalents		762,287	1,054,254
Trade and other receivables		43,295	16,685
Prepayments		19,582	17,445
Total current assets		825,164	1,088,384
Non-current assets			
Financial assets at fair value through other comprehensive income	4	33,333	41,667
Property, plant and equipment		4,906	6,133
Exploration and evaluation assets	5	1,285,938	800,677
Other non-current assets		43,804	23,569
Total non-current assets		1,367,981	872,046
Total assets		2,193,145	1,960,430
Liabilities			
Current liabilities			
Trade and other payables		265,299	92,138
Total current liabilities		265,299	92,138
Total liabilities		265,299	92,138
Net assets		1,927,846	1,868,292
Equity			
Issued capital	6	31,894,519	31,594,519
Reserves	7	(23,511,837)	(23,565,766)
Accumulated losses		(6,454,836)	(6,160,461)
Total equity		1,927,846	1,868,292

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 2019



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	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>
Consolidated	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	31,594,519	(23,565,766)	(6,160,461)	1,868,292
Loss after income tax expense for the period	-	-	(294,375)	(294,375)
Other comprehensive income for the period, net of tax	-	(8,334)	-	(8,334)
Total comprehensive income for the period	-	(8,334)	(294,375)	(302,709)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 6)	300,000	-	-	300,000
Share-based payments (note 13)	-	62,263	-	62,263
Balance at 31 December 2019	<u>31,894,519</u>	<u>(23,511,837)</u>	<u>(6,454,836)</u>	<u>1,927,846</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 2019



	Consolidated	31 December 2019	31 December 2018
Note	\$	\$	
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)	(244,156)	(355,849)	
Interest received	5,601	9,847	
	<u>(238,555)</u>	<u>(346,002)</u>	
Cash flows from investing activities			
Payments for exploration and evaluation*	(333,412)	(143,668)	
Proceeds from disposal of investments	-	5,200	
Payments for term deposit	(20,000)	-	
	<u>(353,412)</u>	<u>(138,468)</u>	
Cash flows from financing activities			
Proceeds from issue of shares	6	300,000	300,000
		<u>300,000</u>	<u>300,000</u>
Net decrease in cash and cash equivalents		(291,967)	(184,470)
Cash and cash equivalents at the beginning of the financial period		1,054,254	1,665,419
Cash and cash equivalents at the end of the financial period		<u>762,287</u>	<u>1,480,949</u>

*Cash flows used in exploration and evaluation are presented under operating activities in ASX Quarterly Appendix 5B, as prescribed in the document. However, these amounts are presented as investing activities in the financial statements consistent with the Consolidated Entity's accounting policies for exploration and evaluation expenses.

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 13 March 2020. 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 2019 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 2019 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 16 Leases

The Consolidated Entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments is separately disclosed in financing activities.

The Consolidated Entity has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

On transition, the Consolidated Entity had a low value lease and applying the optional exemptions permitted by AASB 16, the Consolidated Entity has not recognised a right-of-use assets but account for the lease expense on a straight-line basis over the remaining lease term.

AASB Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 requires the assessment of whether the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The Consolidated Entity has adopted Interpretation 23 from 1 July 2019, based on an assessment of whether it is 'probable' that a taxation authority will accept an uncertain tax treatment. This assessment takes into account that for certain jurisdictions in which the company operates, a local tax authority may seek to open a company's books as far back as inception of the company. Where it is probable, the company has determined tax balances consistently with the tax treatment used or planned to be used in its income tax filings. Where the company has determined that it is not probable that the taxation authority will accept an uncertain tax treatment, the most likely amount or the expected value has been used in determining taxable balances (depending on which method is expected to better predict the resolution of the uncertainty). There has been no impact from the adoption of Interpretation 23 in this reporting period.

Other accounting pronouncements which have become effective from 1 July 2019 and have therefore been adopted have not had a significant impact on the Consolidated Entity's financial results or position.

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.

Note 2. Significant accounting policies (continued)

The working capital position as at 31 December 2019 of the Consolidated Entity results in an excess of current assets over current liabilities of \$559,866 (30 June 2019: \$996,246). The Consolidated Entity made a loss after tax of \$294,375 during the half-year ended 31 December 2019 (2018 loss: \$437,332) and had net operating cash outflows of \$238,555 (2018: \$346,002). The cash balances, including term deposits, as at 31 December 2019 was 762,287 (30 June 2019: \$1,054,254). The continuing viability of the Consolidated Entity and its ability to continue as a going concern is dependent upon the Consolidated Entity being successful in its continuing efforts in exploration projects and accessing additional sources of capital to meet the commitments within one year from the date of signing the financial report.

To meet these funding requirements as and when they fall due the Consolidated Entity may take appropriate steps, including a combination of:

- Raising additional capital through the Consolidated Entity's existing placement capacity
- Subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled; and
- Meeting its obligations by farm-out of the Consolidated Entity's exploration interests.

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Should the Consolidated Entity be unable to obtain the funding as described above, there is a material uncertainty exists as to whether the Consolidated Entity will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Consolidated Entity be unable to continue as a going concern. Having carefully assessed the potential uncertainties relating to the Consolidated Entity's ability to effectively fund exploration activities and operating expenditures, the Directors believe that the Consolidated Entity will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Note 3. Operating segments

Identification of reportable operating segments

During the current financial period, 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 4. Non-current assets - Financial assets at fair value through other comprehensive income

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$	\$
Investment in Pepinnini Lithium Limited	33,333	41,667
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	41,667	3,900
Revaluation increments	-	1,300
Disposal of investment in Emperor Energy Limited	-	(5,200)
Revaluations increments of investments in Quantum Graphite Limited	-	43,578
Disposal of investments in Quantum Graphite Limited	-	(43,578)
Additions - Investment in Pepinnini Lithium Limited	-	50,000
Revaluation decrements of Pepinnini Lithium Limited	(8,334)	(8,333)
Closing fair value	33,333	41,667

Investment in Pepinnini Lithium Limited

On 4 March 2019, the Consolidated Entity acquired 16,666,667 fully paid ordinary shares in Pepinnini Lithium Limited (ASX: PNN) at \$0.003. Investments in PNN 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 2019.

Note 5. Non-current assets - exploration and evaluation assets

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$	\$
Exploration and evaluation assets - at cost	1,285,938	800,677

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 2019	800,677
Expenditure during the half-year	485,261
Balance at 31 December 2019	1,285,938

Note 6. Equity - issued capital

	Consolidated			
	31 December	30 June 2019	31 December	30 June 2019
	2019	2019	2019	2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	950,000,000	900,000,000	31,894,519	31,594,519

Note 6. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	900,000,000		31,594,519
Issue of fully paid ordinary shares	5 July 2019	<u>50,000,000</u>	\$0.0060	<u>300,000</u>
Balance	31 December 2019	<u><u>950,000,000</u></u>		<u><u>31,894,519</u></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 7. Equity - reserves

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Financial assets at fair value through other comprehensive income reserve	(16,667)	(8,333)
Options reserve	352,911	290,648
Demerger reserve	<u>(23,848,081)</u>	<u>(23,848,081)</u>
	<u><u>(23,511,837)</u></u>	<u><u>(23,565,766)</u></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:

	Demerger reserve	Options reserve	Revaluation reserve surplus	Total
Consolidated	\$	\$	\$	\$
Balance at 1 July 2019	(23,848,081)	290,648	(8,333)	(23,565,766)
Share based payments	-	62,263	-	62,263
Revaluation decrements on financial assets at fair value	-	-	(8,334)	(8,334)
Balance at 31 December 2019	<u><u>(23,848,081)</u></u>	<u><u>352,911</u></u>	<u><u>(16,667)</u></u>	<u><u>(23,511,837)</u></u>

Note 8. Contingent liabilities

The Consolidated Entity had no contingent liabilities at 31 December 2019 and 30 June 2019.

Note 9. Commitments

	Consolidated	
	31 December	
	2019	30 June 2019
	\$	\$
<i>Exploration Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	143,986	466,778
One to five years	603,014	260,000
	747,000	726,778

In order to maintain current rights to tenure to exploration and mining tenements, the Consolidated Entity has the above exploration expenditure requirements up until expiry of leases. These obligations, which may be varied from time to time and which are subject to renegotiation upon expiry of the lease are not provided for in the financial report and are payable.

Within the mineral industry it is common practice for companies to farm-out, transfer or sell a portion of their exploration rights to third parties or to relinquish some exploration and mining tenements altogether, and as a result obligations will be significantly reduced or extinguished altogether. The farm-in partners also expended funds on the permits during the period which can result in work programs for certain periods being met.

Note 10. 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 2019 %	30 June 2019 %
Strategic Nickel Pty Ltd	Australia	100.00%	100.00%
Strategic Sands Pty Ltd	Australia	100.00%	100.00%

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 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 12. Earnings per share

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Loss after income tax attributable to the Owners of Strategic Energy Resources Limited	<u>(294,375)</u>	<u>(437,332)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>948,641,304</u>	<u>875,326,087</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>948,641,304</u>	<u>875,326,087</u>
	Cents	Cents
Basic earnings per share	(0.03)	(0.05)
Diluted earnings per share	(0.03)	(0.05)

Note 13. Share-based payments

During the half year share options were granted to the Directors of the Company as a performance incentive for the future and to give recognition to the value that will be derived from their contribution to the Company.

The grant of the share options was approved by shareholders at the Annual General Meeting held on 25 November 2019.

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

31 December 2019

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	\$0.0100	62,500,000	-	-	-	62,500,000
12/12/2019	12/12/2022	\$0.0100	-	20,000,000	-	-	20,000,000
			84,000,000	20,000,000	-	(21,500,000)	82,500,000

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	\$0.0100	62,500,000	-	-	-	62,500,000
			84,000,000	-	-	-	84,000,000

For the options granted during half-year, the Consolidated Entity used a Black-Scholes valuation model, with the following inputs used to determine the fair value at grant date:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
12/12/2019	12/12/2022	\$0.0050	\$0.0100	126.00%	0.70%	\$0.003

Strategic Energy Resources Limited
Directors' declaration
31 December 2019



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 2019 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

13 March 2020

Independent Auditor's 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 Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 \$294,375 during the half year ended 31 December 2019 and, as of that date, had net operating cash outflows of \$238,555. 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 2019 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, 13 March 2020