ASX Announcement
7 December 2016

High Grade Gold Targets Generated at Saxby (SER 100%)

- Historic drilling at Saxby includes high grade intersections of 17m @ 6.75g/t Au and 15m @ 9.09 g/t Au in two holes 190m apart
- These include 9m @ 11.27g/t Au and 8m @ 15.1 g/t Au respectively
- SER analysis shows previous drilling failed to fully test structural and geophysical targets due to deviation of inclined drill holes
- SER to drill multiple vertical holes targeting extensive high grade gold

Strategic Energy Resources Limited (ASX: SER) is pleased to provide an update on our 100% held Saxby Gold Project in northwest Queensland.

SER has conducted a detailed review of previous exploration at Saxby and believes drilling to date has not adequately tested the potential demonstrated by previous high grade intersections.

Specifically, previous drilling failed to fully test structural and geophysical targets due to deviation (pronounced steepening) of inclined drill holes.

SER plans to drill several vertical drill holes surrounding the best intersections to test the extent and continuity of high grade gold at Saxby. Vertical holes are much less likely to deviate to the extent experienced with the earlier inclined drilling.

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Project Location and Regional Geology

The Saxby Gold Project is located 165km north-northeast of Cloncurry in the Gulf Country of northwest Queensland.

SER is initially targeting gold mineralisation hosted in basement rocks of the Eastern Succession of the Mt Isa Province buried beneath younger sedimentary cover of the Carpentaria Basin. The Eastern Succession has a long and proven record of mineral endowment.

The limited knowledge of the buried NE Mt Isa Domain has been generated by geophysical interpretation and the small amount of drilling in the region. This virgin terrain has a high strike ratio of mineralisation in drilling including nickel, copper, gold, zinc and silver.

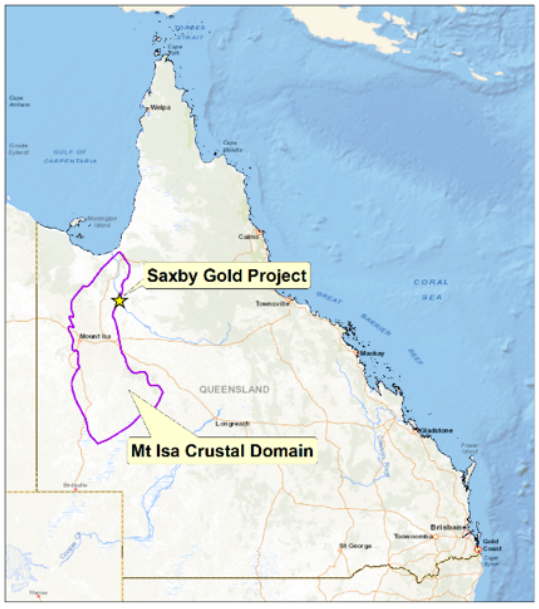

Figure 1: Project Location

The Proterozoic Mt Isa Province is a north-trending, complex multi-stage crustal rift. Following three episodes of rifting resulting in volcanism, sedimentation and granite intrusions the province underwent a major deformation and metamorphic event – the 1620-1540Ma Isan Orogeny. The resulting geology hosts some of the major metal accumulations worldwide with several giant deposits amongst them.

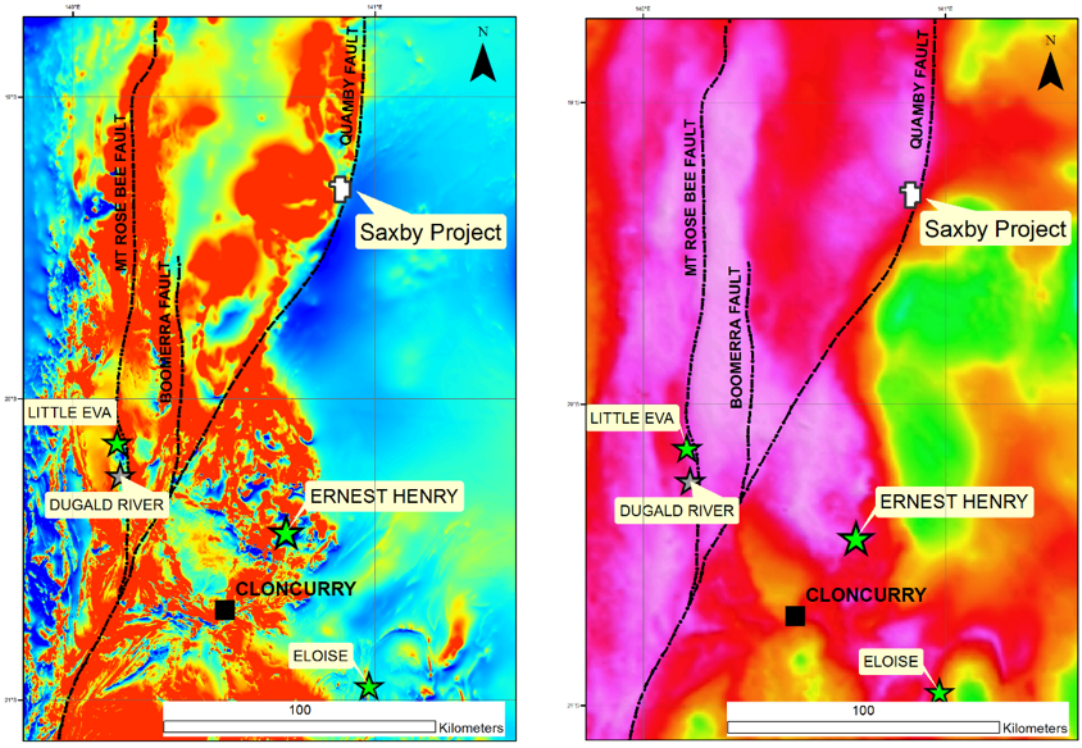

Figure 2: Regional Geophysics showing magnetics (left) and gravity (right)

Exploration History

In 2008, previous explorers Anglo American / Falcon Minerals were targeting magmatic Nickel - Copper - Platinum Group Elements (Ni-Cu-PGE) mineralisation by drill testing bedrock electromagnetic (EM) conductors when discovery hole SXDD005 hit high grade gold. Assays include 17m @ 6.75g/t gold from 631m to 648m.[1]

In 2010, farm-in partner AngloGold Ashanti drilled five holes (SXDD011-015) in the vicinity of SXD005 to test for gold mineralised structures away from discovery hole SXD005. The best results came from hole SXDD014 including 15m @ 9.09 g/t gold.[2]

Finally, in 2012, Falcon Minerals drilled four further holes (SXDD0016-0019) with disappointing results. The best result was from hole SXDD016 which included 1m @ 26.1 g/t gold.[3] Falcon noted that "All holes in the drill program steepened significantly and this is a technical issue that needs to be resolved before drilling recommences."[4]

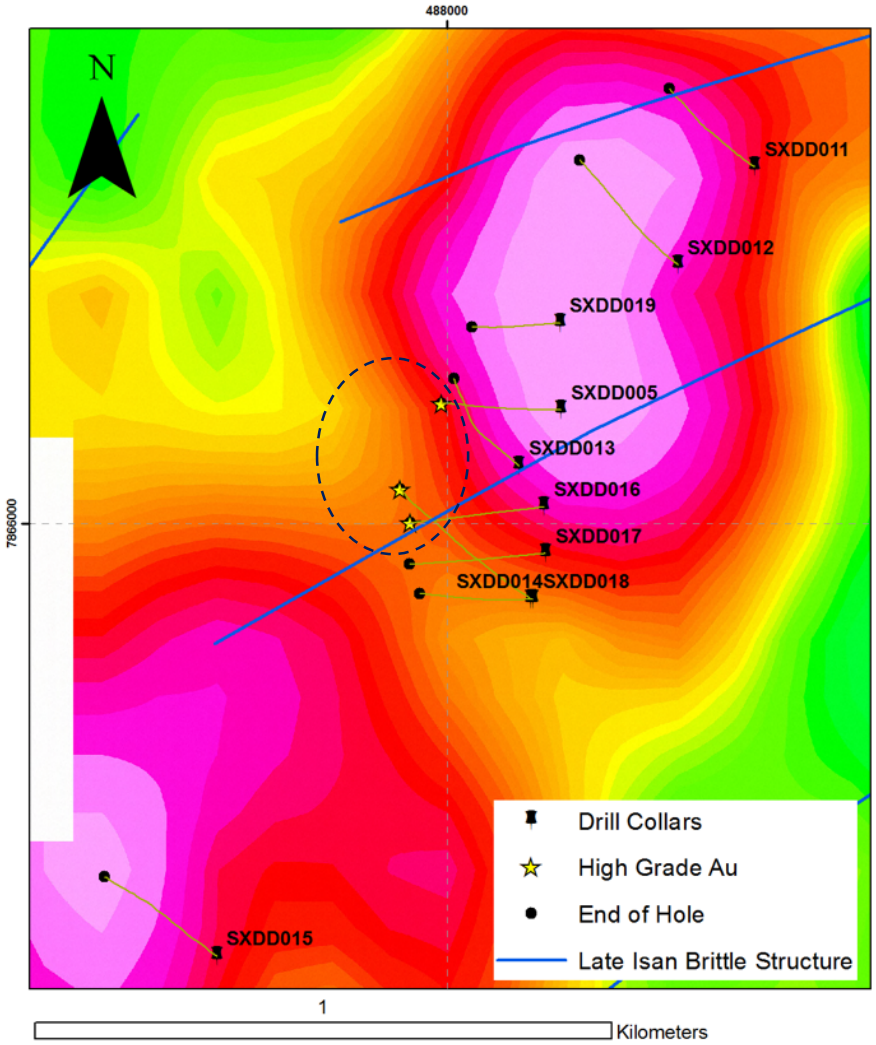

Figure 3: Previous drilling at Saxby over EM response with high grade gold hits (yellow stars) location of SER's proposed 2017 vertical drill holes in black dashed oval

[1] See Falcon Minerals Ltd (ASX: FCN) ASX Announcement of 28 January 2009: www.asx.com.au/asxpdf/20090128/pdf/31fqydr86ntvqm.pdf

[2] See FCN ASX Announcements of 5 November 2010 (initial results) and 12 January 2011 (subsequent re-assay): www.asx.com.au/asxpdf/20101104/pdf/31tp5ss0zdtdnd.pdf and www.asx.com.au/asxpdf/20110112/pdf/41w4q8xyrpzv6h.pdf

[3] See FCN ASX Announcement of 17 August 2012: www.asx.com.au/asxpdf/20120817/pdf/4282pm6klvrdqg.pdf

[4] See FCN ASX Announcement of 17 July 2012: http://www.asx.com.au/asxpdf/20120717/pdf/427g1cwpkgbpm0.pdf

Local Geology

The Saxby project area is covered by sediments of the Mesozoic Carpentaria Basin comprising siltstone, sandstone, conglomerate and carbonate units. Beneath the cover lies basement rocks of the Eastern Succession of the Mt Isa Province.

The basement at Saxby is interpreted to be a horst block, bounded to the east by an extension of the Quamby Fault and the west by a possible splay of the Boomarra Fault. Geophysical data at Saxby indicates a number of large granitic bodies intrude the Proterozoic basement.

At approximately 1620-1540Ma, basement rocks underwent a major deformation and metamorphic event, the Isan Orogeny, which resulted in the development of steep North-South oriented structures. These structures are cross-cut by later NE-oriented more brittle faults.

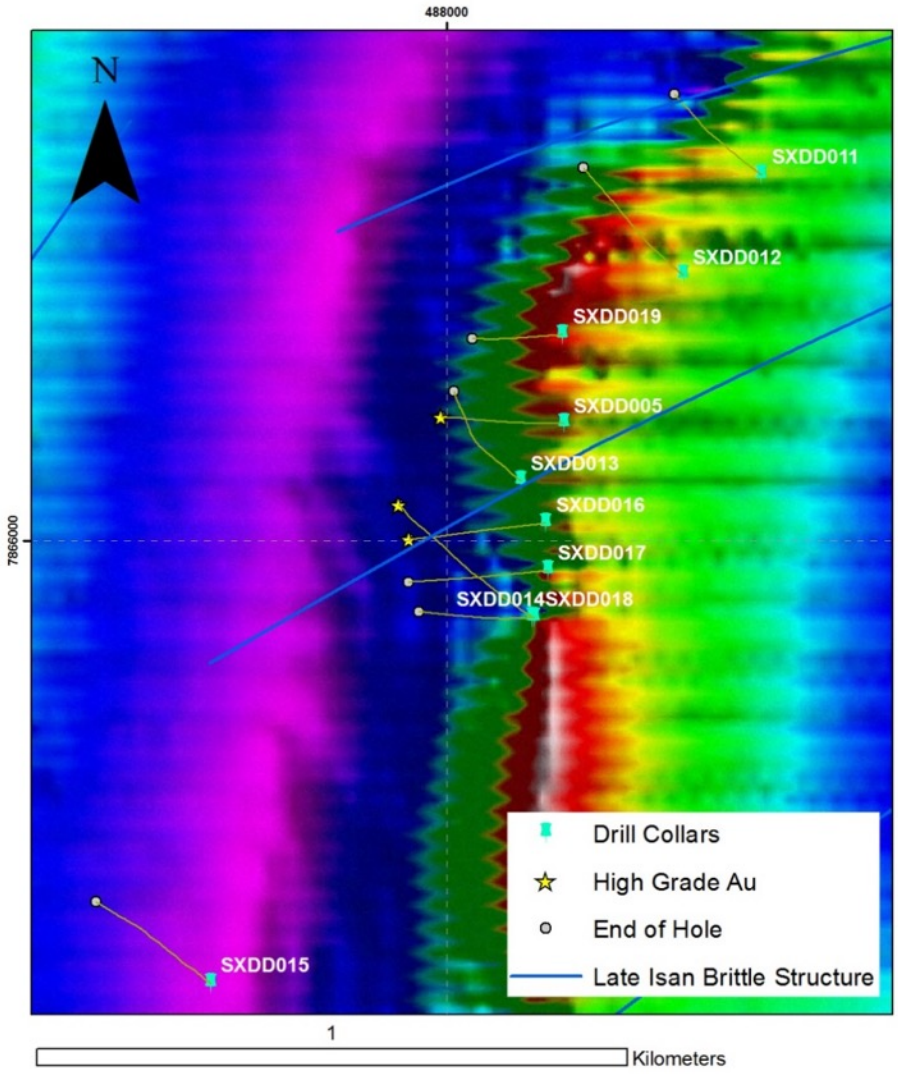

Figure 4: Previous drilling at Saxby over Magnetics, note distinct N-S fabric and cross-cutting NE-SW faults

Mineralisation

Gold mineralisation at Saxby is characterised by intense pyrite alteration overprinting calcite-magnetite veins and breccia, associated with a network of chlorite vein arrays and hydrofractures. The alteration assemblages and presence of anomalous copper and uranium noted in Falcon drilling[5] may suggest a variant of an Iron Oxide Copper-Gold (IOCG) mineral system.

Figure 5: Section of SXDD005 (~20cm) from interval assaying 53g/t Au[6]

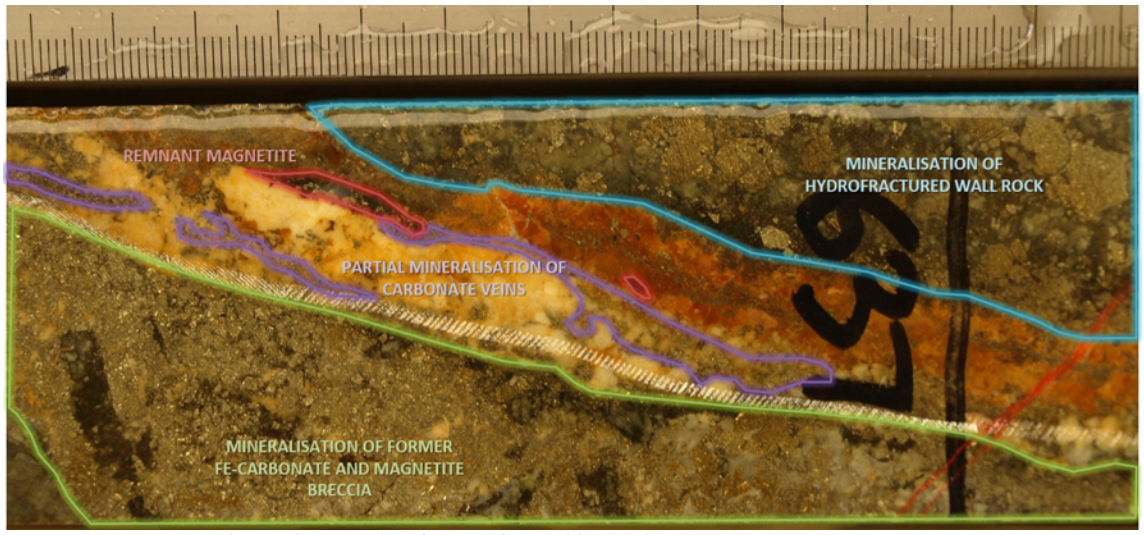

Figure 6: Zoom in of above SXDD005 section (large scale marks = cm)

Gold mineralisation at Saxby is spatially associated with:

- a graphite-rich meta-sedimentary package likely to be responsible for the strong EM response detected in geophysical surveys; and
- the contact between meta-sedimentary units and a pre-metamorphic granodiorite intrusion.

Mineralisation also appears related to the series of northeast trending structures that cross-cut the metamorphic fabric.

[5] See FCN ASX Announcement of 17 August 2012: www.asx.com.au/asxpdf/20120817/pdf/4282pm6klvrdqg.pdf
[6] See FCN ASX Announcement of 29 March 2012: www.asx.com.au/asxpdf/20120329/pdf/425b581jh3rj1n.pdf

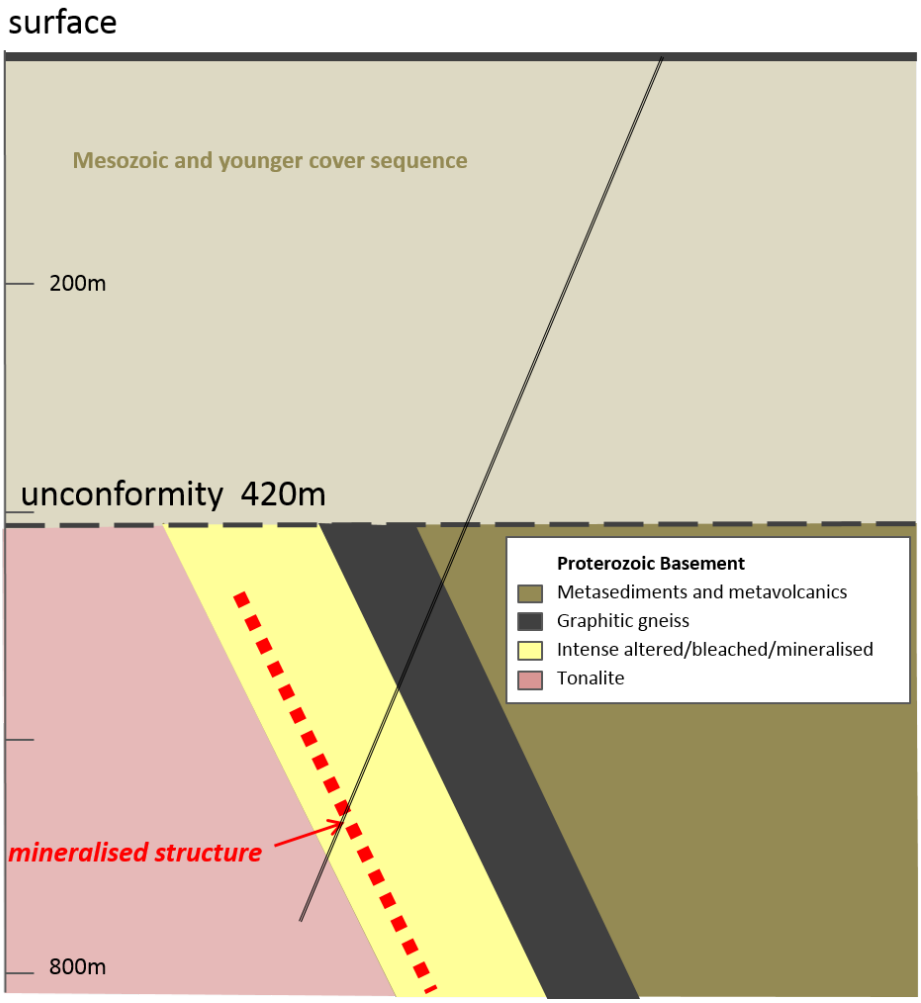

Figure 7: Schematic cross section showing interpreted spatial relationship of Au mineralisation

Graphite Schist:

- 90m thick unit of very graphitic schist (40%-60% xstalline graphite).
- Interpreted to act as seal and reducant barrier to mineralisation zone below.

Figure 8: Core photos from SXDD005 537-546m showing Graphite Schist

It should also be noted that gold mineralisation at Saxby consists of several very high grade sections within the broader mineralised intercepts. This is outlined in the below table[7].

Table 1: Selected gold assays from SXDD005 and SXDD014

SXDD005

Au g/t	Interval	From
0.00	2.0	608.0
0.01	2.0	610.0
0.00	2.0	612.0
0.84	2.0	614.0
0.14	1.8	616.0
6.80	1.4	617.8
1.36	1.8	619.2
0.20	2.0	621.0
0.01	2.0	623.0
0.02	2.0	625.0
0.01	2.0	627.0
0.01	2.0	629.0
1.23	2.0	631.0
1.21	2.0	633.0
3.66	1.7	635.0
54.00	0.8	636.7
88.40	0.5	637.5
1.45	2.0	638.0
0.03	2.0	640.0
3.69	2.0	642.0
0.11	2.0	644.0
2.86	2.0	646.0
0.01	2.0	648.0
0.00	2.0	650.0
0.01	0.9	652.0

17m at 6.75 g/t Au

9m at 11.27 g/t Au

8m at 15.09 g/t Au

SXDD014

Au g/t	Interval	From
0.005	1.0	695.0
0.01	1.0	696.0
0.02	1.0	697.0
0.01	1.0	698.0
0.24	1.0	699.0
0.11	1.0	700.0
11.36	1.0	701.0
28.16	1.0	702.0
8.60	1.0	703.0
0.19	1.0	704.0
4.02	1.0	705.0
5.94	1.0	706.0
43.41	1.0	707.0
19.05	1.0	708.0
0.51	1.0	709.0
2.77	1.0	710.0
0.14	1.0	711.0
0.17	1.0	712.0
1.53	1.0	713.0
8.50	1.0	714.0
2.04	1.0	715.0
0.06	1.0	716.0
0.04	1.0	717.0
0.02	1.0	718.0
0.05	1.0	719.0

15m at 9.09 g/t Au

Targeting and Proposed Drill Program

SER believes drilling to date at Saxby has not adequately tested the potential demonstrated by previous high grade intersections. Our specific area of interest is highlighted in the figure below.

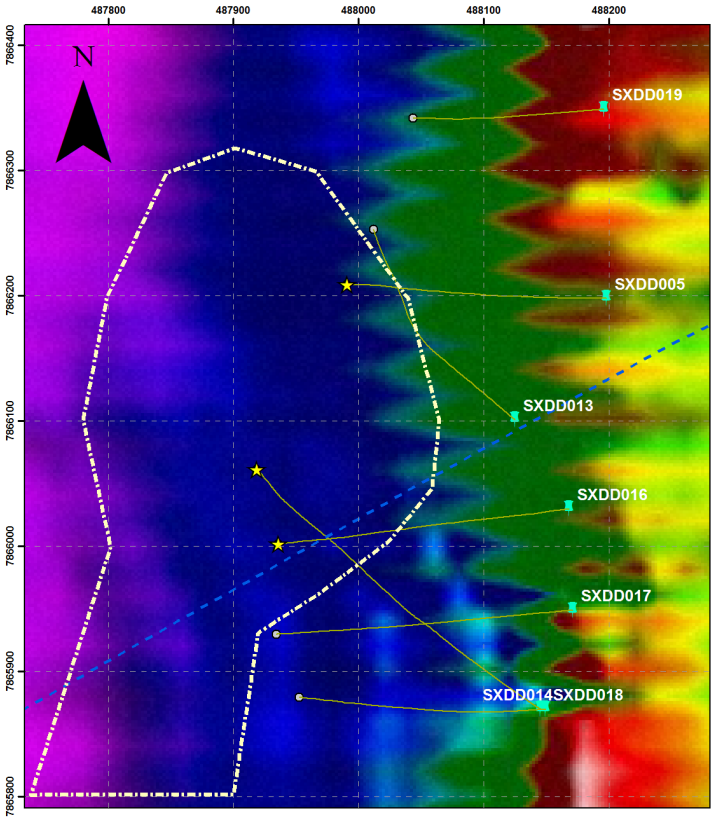

Figure 9: Saxby untested Area of Interest in dashed white polygon

[7] See FCN ASX Announcement of 29 March 2012:
www.asx.com.au/asxpdf/20120329/pdf/425b581jh3rj1n.pdf

Three-Dimensional Perspective

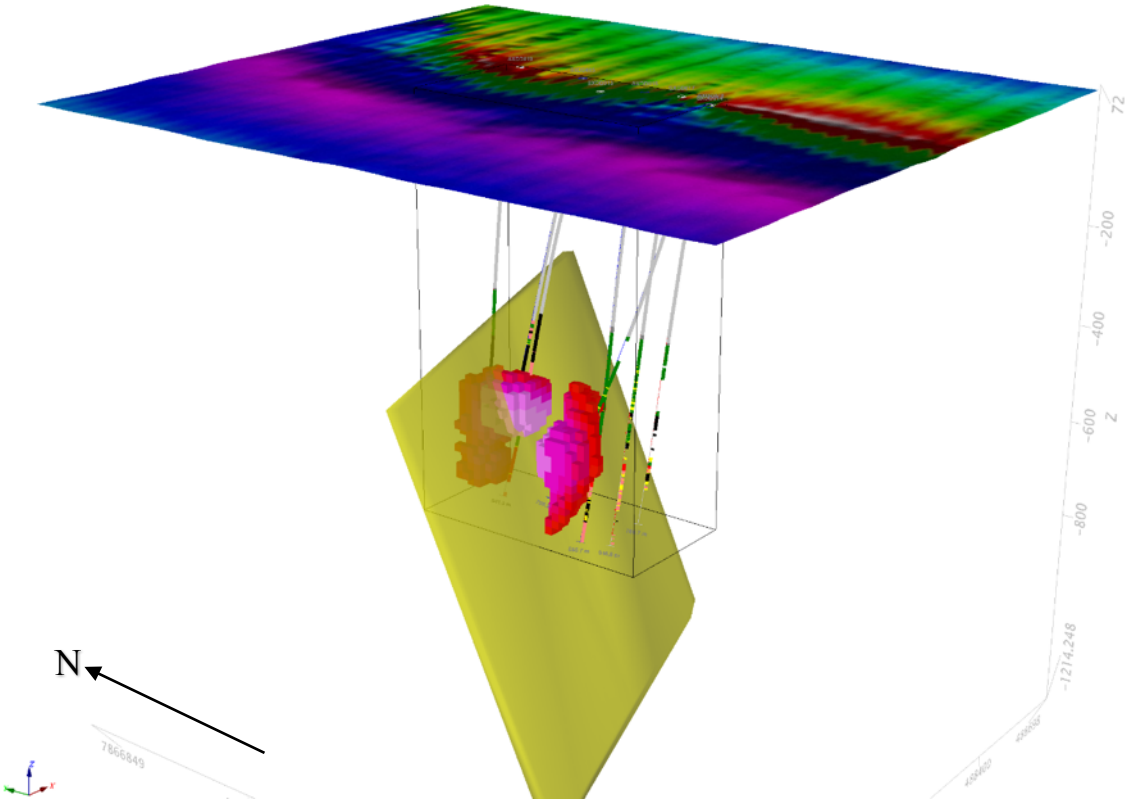

Figure 10: 3D Subsurface view of Saxby drilling showing mineralisation voxels (purple) and plane of mineralisation structural measurements (yellow). Note mineralisation lies beneath graphite schist (black).

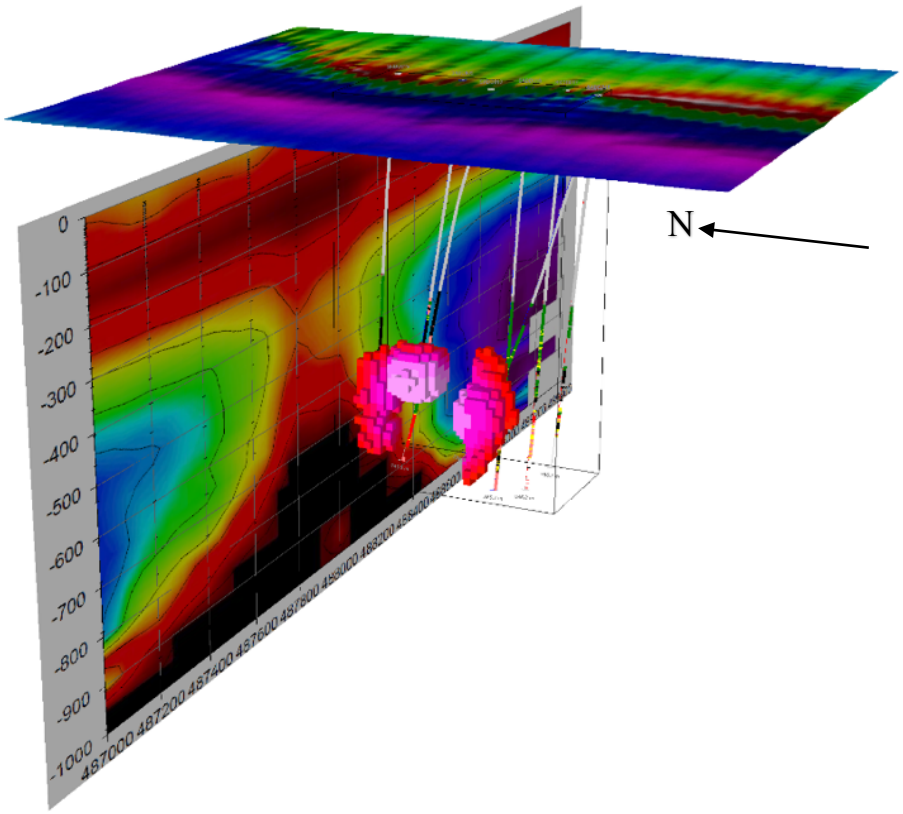

Figure 11: 3D Subsurface view with Conductivity Depth Image slice from EM survey

Way Forward and Proposed Drill Program

SER's analysis reveals drilling to date has not adequately tested the potential demonstrated by previous high grade intersections. Specifically, previous drilling failed to fully test structural and geophysical targets due to deviation (pronounced steepening) of inclined drill holes.

SER believes the high grade gold could be hosted in a variety of geometries within the basement. We believe pattern drilling the untested area is the most comprehensive way to evaluate various models based on geophysical and structural targets.

SER plans to drill several vertical drill holes surrounding the best intersections to test the extent and continuity of high grade gold at Saxby.

SER will prepare a drill program for commencement following the end of the wet season in 2017.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information reviewed by Mr Steve Konecny, who is engaged as a consultant by the Company. Mr Konecny is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience of relevance to the style of mineralisation, the type of deposit under consideration and the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results. Mr Konecny consents to the inclusion of the information in the form and context in which it appears.