



STRATEGIC ENERGY RESOURCES LIMITED

ACN 051 212 429

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19 January 2017

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Quarterly Report to 31 December 2016

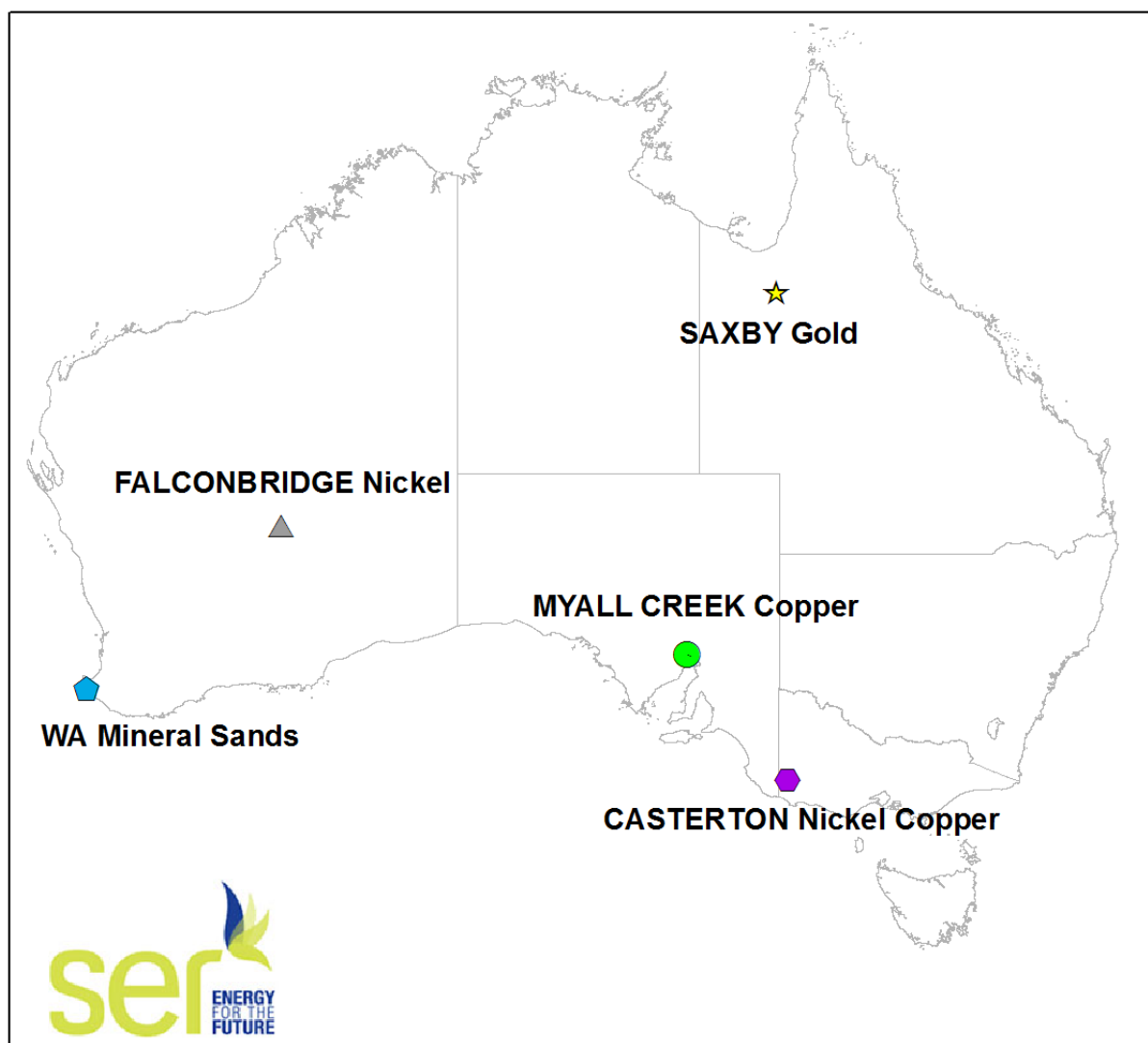


Figure 1: SER Exploration Projects

Strategic Energy Resources Limited (ASX Code: SER) is a diversified mineral exploration company and major shareholder of Ionic Industries Ltd and Valence Industries Ltd

MINERAL EXPLORATION

SAXBY GOLD PROJECT QUEENSLAND (SER 100%)

During the quarter, SER announced the generation of high grade gold drill targets at our 100% Saxby Gold Project in northwest Queensland. 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 intersections include higher grade zones of 9m @ 11.27g/t Au and 8m @ 15.1 g/t Au respectively.

SER has completed a detailed review of previous exploration at Saxby and concluded that previous drilling did not adequately test the potential demonstrated by the 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.



Figure 2: The Saxby Gold Project is located 165km NNE of Cloncurry in the Gulf Country of NW Queensland.

At Saxby, SER is 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.

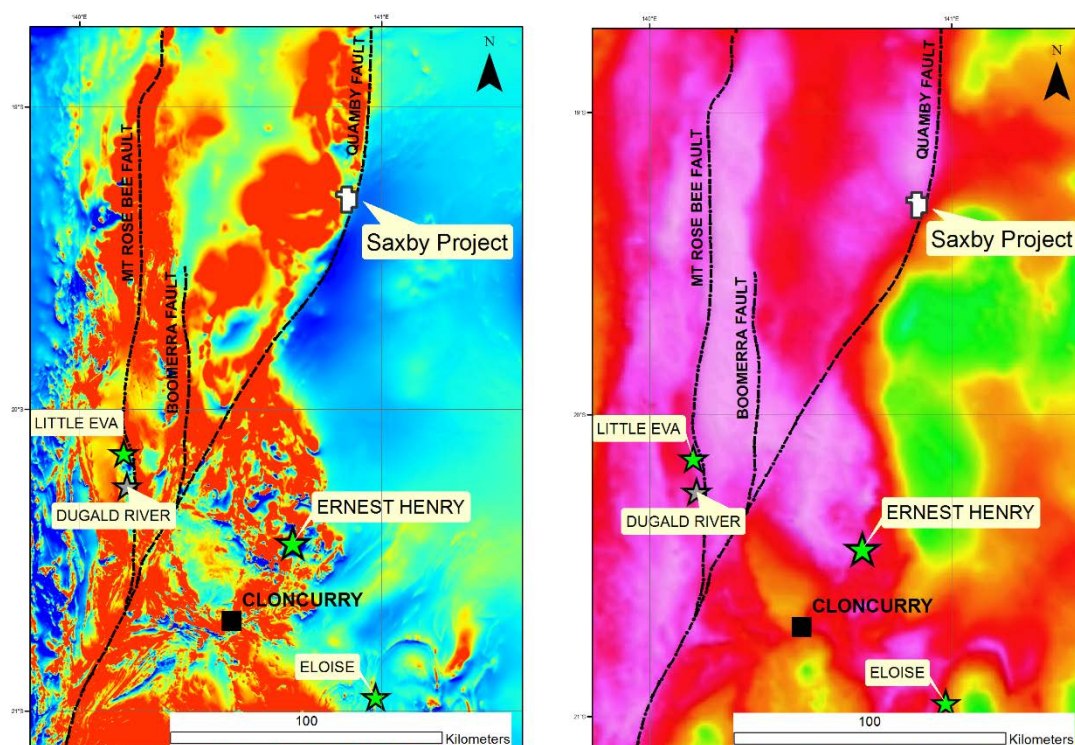


Figure 3: Regional Geophysics showing magnetics (left) and gravity (right)

Saxby 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 SXDD005 to test for gold mineralised structures away from discovery hole SXDD005. 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

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/31tp5ss0zdtnd.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>

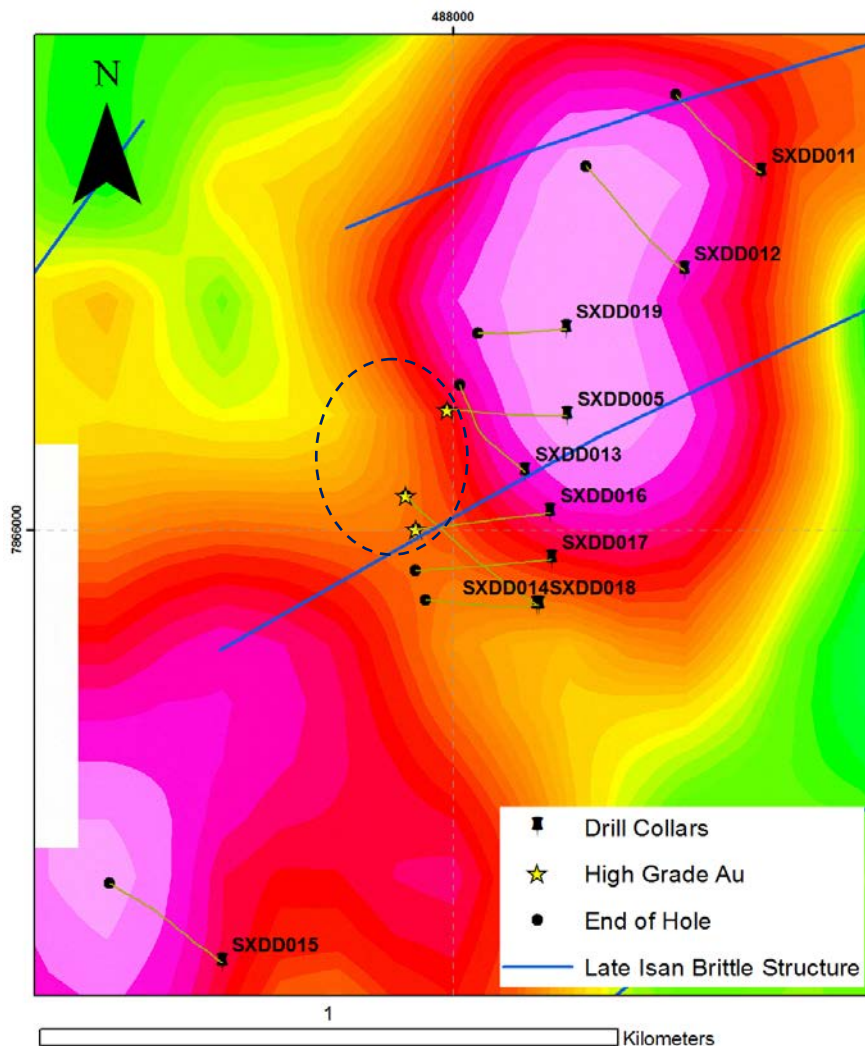


Figure 4: Previous drilling at Saxby over EM response with high grade gold hits (yellow stars) and location of SER's proposed 2017 vertical drill holes in black dashed oval

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 due to deviation of 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. Drilling is planned for the end of the wet season in early-mid 2017.

See our announcement of 7 December 2016 for further details regarding the geology and mineralisation at Saxby:

<http://www.asx.com.au/asxpdf/20161207/pdf/43djpzwkmk8b60.pdf>

HEAVY MINERAL SANDS EXPLORATION WESTERN AUSTRALIA (SER 100%)

During the quarter, SER completed a high resolution aerial imagery and elevation data survey at our Ambergate (E70/4793) Heavy Mineral Sands Project. The data collected will be used to create a high accuracy digital elevation model (DEM) using aerial photogrammetry techniques. The DEM is particularly important as mineralisation at Ambergate is from surface. The DEM will be combined with the more than 1000 historic drill holes at Ambergate that SER has compiled and digitised to create the resource model.

SER aims to publish a maiden JORC 2012 resource at Ambergate in the coming quarter. Metallurgical test work and landholder negotiations at Ambergate are well advanced. Land access issues have been the main hurdle experienced by previous explorers at Ambergate. SER has adopted an open, consultative approach with landholders including the direct involvement of SER Directors in good faith negotiations. The UAV survey was conducted with landholder approval.

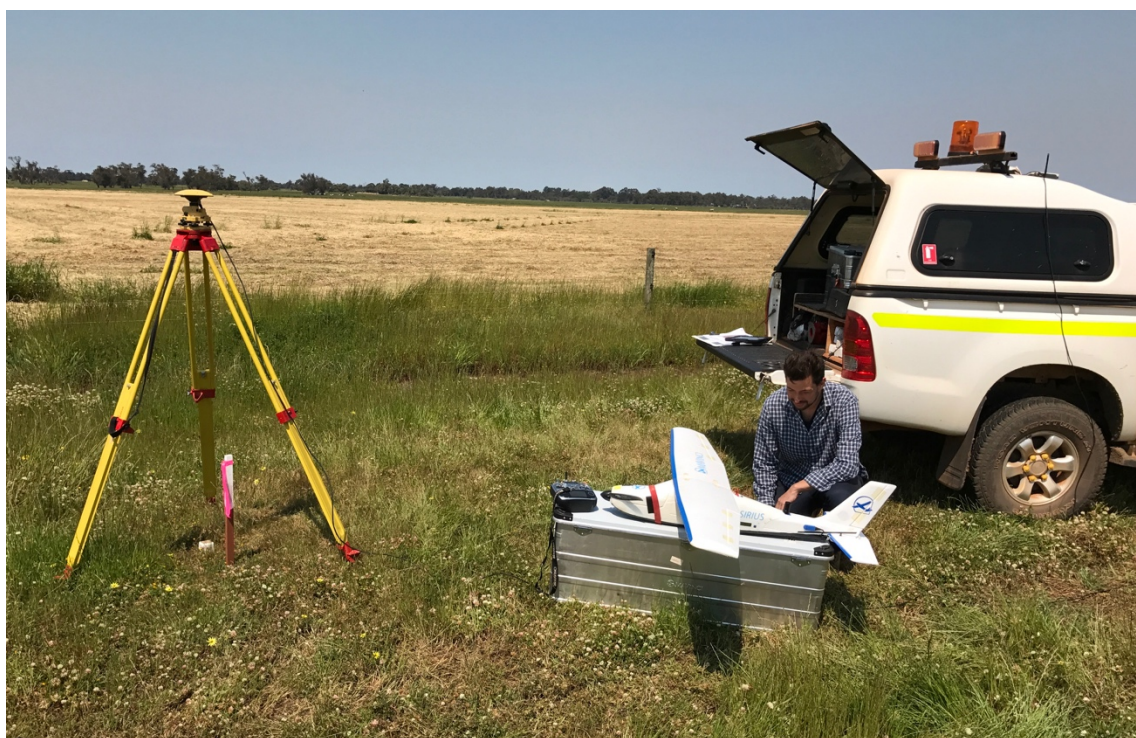


Figure 5: Sirius MAVinci Pro UAV at SER's Ambergate Mineral Sands Project

NEW COPPER-GOLD TENEMENT IN SOUTH AUSTRALIA SOUTH AUSTRALIA (SER 100%)

In keeping with SER's counter-cyclical strategy of acquiring high-quality exploration projects for low cost in commodities that are currently unfashionable, SER has pegged, and now been granted, EL5898 in South Australia.

EL5898 lies immediately SW of SER's Myall Creek Copper-Gold Project and is an area SER has long considered prospective for Iron Oxide Copper Gold (IOCG) mineralisation in Proterozoic basement. The area has been continuously held by various companies since 1978. SER seized the ground after it was relinquished by former holder St Barbara Ltd in 2016.

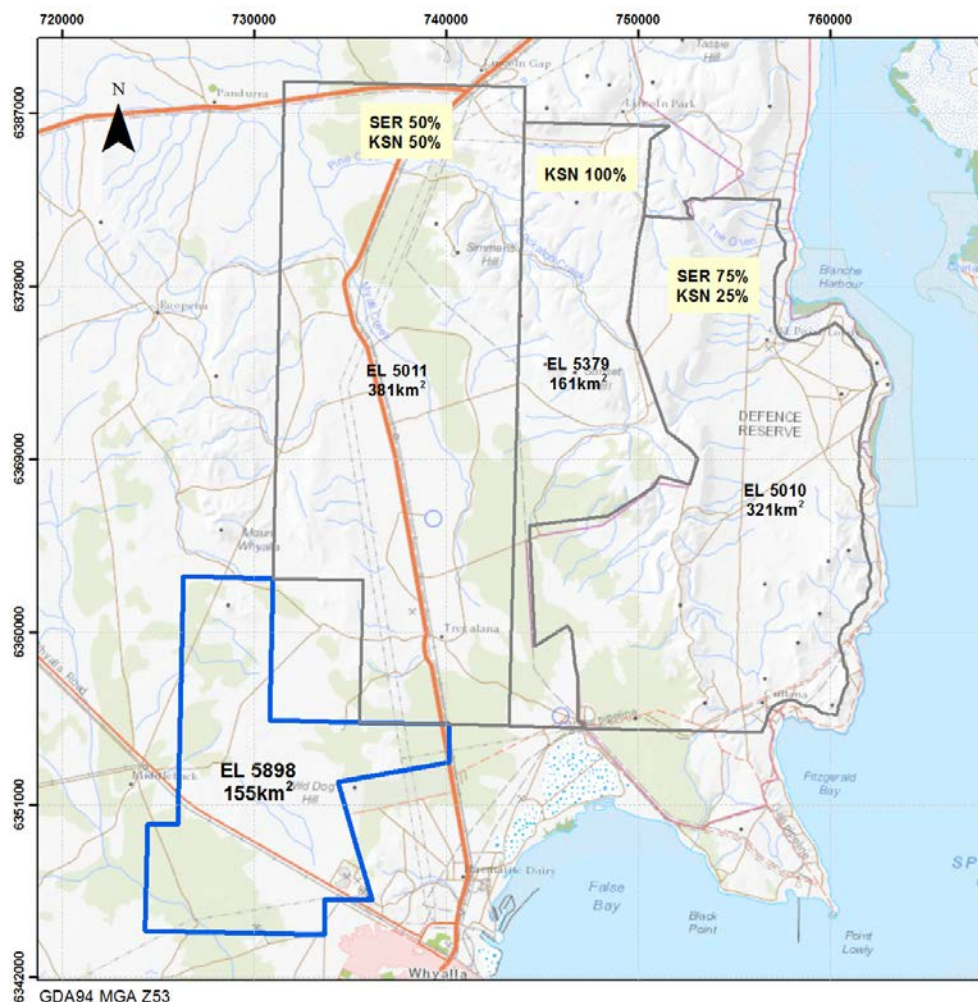


Figure 6: EL5898 Location SW of SER's Myall Creek Cu-Au Project

ANNUAL GENERAL MEETING

SER's Annual General Meeting was held on 6 October 2016 with all resolutions carried.

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.

INTERESTS IN MINING TENEMENTS

Mining Tenement	Location	Beneficial Percentage held	Interest acquired/farm-in or disposed/farm-out during the quarter
EL 5010	South Australia	75%	-
EL 5011	South Australia	50%	-
EL 5898	South Australia	100%	Granted 12 December 2016
E38/1970	Western Australia	95%	-
EL 5040	Victoria	5%	-
EPM15398	Queensland	100%	-
E70/4793	Western Australia	100%	-
E70/4797	Western Australia	100%	-
E70/4799	Western Australia	100%	-
E70/4805	Western Australia	100%	-
E70/4807	Western Australia	100%	-
E70/4874	Western Australia	100%	N/A Application only

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

STRATEGIC ENERGY RESOURCES LIMITED

ABN

14 051 212 429

Quarter ended ("current quarter")

31 DECEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(137)	(220)
(b) development	-	-
(c) production	-	-
(d) staff costs	(43)	(65)
(e) administration and corporate costs	(51)	(128)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(230)	(410)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other Exploration and Evaluation	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	461	641
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(230)	(410)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	231	231

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	231	461
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	231	461

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
114
-

Director's fees and consulting fees paid during the September 2016 quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	75
9.2 Development	-
9.3 Production	-
9.4 Staff costs	50
9.5 Administration and corporate costs	50
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	175

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	EL 5898		-	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Company secretary)

Date: 19 January 2017

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.