

Strategic Energy Resources Limited

ABN 14 051 212 429

Half-year Financial Report - 31 December 2021

Strategic Energy Resources Limited
Contents
31 December 2021



Corporate directory	2
Directors' report	3
Auditor's independence declaration	6
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
Directors' declaration	20
Independent auditor's review report to the members of Strategic Energy Resources Limited	21

Directors	Mr Stuart Rechner - Executive Chairman Dr David DeTata - Managing Director Mr Anthony McIntosh - Non-Executive Director
Company secretary	Mr Mathew Watkins
Registered office and 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 2021.

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

Dr David DeTata - Managing Director (appointed as Managing Director on 1 July 2021, previously a Non-Executive Director)

Mr Anthony McIntosh - Non-Executive Director

Principal activities

Strategic Energy Resources Ltd is a specialised undercover mineral explorer and project generator focused on discovery in greenfield frontiers of Australia. During the period 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 \$135,288 (31 December 2020: \$1,708,702).

The net assets of the Consolidated Entity increased by \$1,280,679 to \$6,077,083 as at 31 December 2021 (30 June 2021: \$4,796,404). The Consolidated Entity had net cash outflows from operating activities for the period of \$287,022 (31 December 2020: \$412,817). Working capital, being current assets less current liabilities, decreased by \$710,633 to \$1,296,676 (30 June 2021: \$2,007,309).

The review of operations preceding this report outlines the exploration activities and corporate matters for the year.

SER's goal is the discovery of major copper-gold deposits which we pursue as a specialised undercover mineral explorer and project generator. During the July-December 2021 reporting period, we have continued to execute our strategy of "Discovery via Drilling" and "Discovery via Partnership" while also generating valuable new exploration projects across Australia.

During the period, SER was the first explorer to conduct a diamond drill campaign in the emerging, highly prospective East Tennant Iron Oxide Copper-Gold (IOCG) province with the financial assistance of a Northern Territory Government Geophysics and Drilling Collaborations (GDC) grant. While the results of the drill program at the 'Cottage' prospect were disappointing, we remain convinced of the potential of the region given the positive results from the MinEx CRC National Drilling Initiative campaign and the significant uptake of new mineral exploration tenements in the region. In the coming year SER will return to East Tennant to undertake a follow-up geophysics program set to include ground based Induced Polarisation (IP) over our identified gravity and/or magnetic targets to distinguish prospects more likely to host metal sulphides.

At the completion of the East Tennant program, the drill rig was mobilised to our Canobie project to test a newly identified discrete combined magnetic, gravity and electromagnetic target, 'Kalarka' with the financial assistance of a Queensland Government Collaboration Exploration Initiative (CEI) grant. The two-hole diamond drill program intersected thick intervals of nickel-elevated ultramafic rock with semi massive sulphide zones in both drill holes. Drill holes were collared 535m apart; with best intersections included:

- **CND001A:**
 - 132m of disseminated Ni-Cu sulphides within ultramafic @ 0.1% Ni from 507m; including 2m @ 0.68% Ni, 0.17% Cu (from 635m)
- **CNDD002:**
 - 43m of disseminated Ni-Cu sulphides within ultramafic @ 0.1% Ni from 615m; and 0.6m @ 0.96% Ni, 0.11% Cu (from 661.6m)

Refer ASX Announcement of 19 December 2021 for full details.

These results, when viewed alongside historical nickel intercepts recorded at the Tea Tree Prospect, 2.75km southeast of Kalarka are a significant advancement of the Canobie Project and increases the potential of the region to host significant Ni + Cu sulphide mineralisation, which can be associated with more massive accumulations, as demonstrated between Western and Eastern Deeps systems at Voisey's Bay (Labrador, Canada) and within the Nebo-Babel deposit (West Musgraves Ranges, W.A.). An independent expert review was completed by Dr Steve Beresford along with follow-up work to assist in vectoring towards areas of potentially higher tenor within the project. In the coming year a follow up geophysical survey will be conducted ahead of a Ni + Cu sulphide focused drill campaign.

A second CEI grant was also awarded to SER in collaboration with machine learning pioneers Caldera Analytics to develop a deep learning-based model to interpret basement geology from geophysical data across our northwest Queensland exploration licences. The project commenced during the period and will be completed during the second quarter of 2022. Preliminary results have shown that the machine learning program will significantly assist in our ability to generate new drill targets across our northwest Queensland portfolio.

Towards the end of the period the transfer of the Isa North Copper-Gold Project from Newcrest Mining Ltd (ASX:NCM) was completed. The project covers an underexplored 976km² belt located along the projected northern extension of the mineralised Mt Isa – Gunpowder Fault Zone, a region that hosts several large deposits which lie on or adjacent to this fault system, including the Mt Isa, Mt Oxide and Gunpowder copper deposits and the Mt Isa, Hilton and George Fisher lead-zinc-silver deposits. SER is well advanced in negotiating land access agreements and drill targeting, with preparations being made for drill testing Isa North targets this year.

In NSW, SER continued to undertake drill targeting work at our South Cobar project with the completion of an airborne magnetic and radiometric survey followed by a geochemical survey that has since been completed. The project area is located along strike and surrounding the undeveloped Browns Reef Zn-Pb-Cu volcanic massive sulphide deposit. Preparations are now underway for a drilling campaign mid-year with financial assistance from a NSW New Frontiers Cooperative Drilling Grant.

SER intends to undertake exciting drill programs at Isa North and South Cobar this year. Simultaneously, we will advance our East Tennant and Canobie projects with follow-up geophysical surveys and drill targeting.

Significant changes in the state of affairs

On 30 November 2021, the Company issued 6,333,333 Unlisted Options to current directors, Nil exercise price, expiring on 30 November 2024, subject to vesting conditions.

On 25 November 2021, the Company issued 2,375,000 fully paid ordinary shares to Directors of the Company at an issue price of \$0.044 (4.4 cents) per Share, raising \$104,500 before costs following the receipt of shareholder approval granted on 17 November 2021.

On 11 November 2021, the Company announced the completion of the divestment of the Benmara Project to Resolution Minerals Ltd (RML). The consideration for the final stage of the agreement of outright purchase of the Tenement (EL32228) comprised a payment of \$250,000 in RML shares or cash, at RML's election. RML has elected to make payment via the issue of 13,773,778 shares as approved by shareholders at Annual General Meeting held on 11 November 2021. The consideration shares were issued on 12 November 2021 and this results in the Company holding 16,273,778 shares in RML.

On 14 September 2021, the Company issued 27,625,000 fully paid ordinary shares to professional, sophisticated and other exempt investors at an issue price of \$0.044 (4.4 cents) per Share, raising \$1,215,500 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

On 17 January 2022, the Company was awarded \$120,000 co-funding grant from New South Wales Government to support diamond drilling activities at the Achilles 1 Prospect within our South Cobar project (EL9012). The drill program will follow a soil geochemistry survey over the target area using CSIRO's Ultrafine+™ next gen analytics scheduled for later this month.

No other matter or circumstance has arisen since 31 December 2021 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


8 March 2022

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 and its subsidiaries for the half-year ended 31 December 2021, 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
Grant Thornton Audit Pty Ltd
Chartered Accountants



T S Jackman
Partner – Audit & Assurance

Melbourne, 8 March 2022

Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2021



		Consolidated	
	Note	31 December 2021	31 December 2020
		\$	\$
Other income	4	280,067	367,340
Interest income		285	2,842
Expenses			
Employee benefits expense		(66,147)	(83,910)
Share based payments	15	(109,133)	(401,300)
Corporate expenses		(150,203)	(151,790)
Other expenses		(18,111)	(11,280)
Tenement due diligence and other exploration expenses		(72,046)	(224,550)
Exploration expenditure written off	6	-	(1,206,054)
Loss before income tax expense		(135,288)	(1,708,702)
Income tax expense		-	-
Loss after income tax expense for the period attributable to the Owners of Strategic Energy Resources Limited		(135,288)	(1,708,702)
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	5	50,188	657,980
Other comprehensive income for the period, net of tax		50,188	657,980
Total comprehensive income for the period attributable to the Owners of Strategic Energy Resources Limited		(85,100)	(1,050,722)
		Cents	Cents
Basic earnings per share	14	(0.07)	(1.14)
Diluted earnings per share	14	(0.07)	(1.14)

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 2021



		Consolidated	
	Note	31 December 2021	30 June 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,391,099	2,076,700
Other receivables		14,036	9,910
Prepayments		40,817	30,023
Total current assets		<u>1,445,952</u>	<u>2,116,633</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	5	1,089,359	857,836
Property, plant and equipment		7,195	5,632
Exploration and evaluation assets	6	3,601,375	1,884,627
Other non-current assets		82,478	41,000
Total non-current assets		<u>4,780,407</u>	<u>2,789,095</u>
Total assets		<u>6,226,359</u>	<u>4,905,728</u>
Liabilities			
Current liabilities			
Trade and other payables		129,759	99,652
Employee provisions		19,517	9,672
Total current liabilities		<u>149,276</u>	<u>109,324</u>
Total liabilities		<u>149,276</u>	<u>109,324</u>
Net assets		<u>6,077,083</u>	<u>4,796,404</u>
Equity			
Issued capital	7	37,438,128	36,181,482
Reserves	8	1,216,280	1,056,959
Accumulated losses		(32,577,325)	(32,442,037)
Total equity		<u>6,077,083</u>	<u>4,796,404</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 2021



Consolidated	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	32,661,027	352,911	(30,467,559)	2,546,379
Loss after income tax expense for the period	-	-	(1,708,702)	(1,708,702)
Other comprehensive income for the period, net of tax	-	657,980	-	657,980
Total comprehensive income for the period	-	657,980	(1,708,702)	(1,050,722)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,380,762	-	-	1,380,762
Share-based payments (note 15)	-	401,300	-	401,300
Lapse of options	-	(290,648)	290,648	-
Balance at 31 December 2020	<u>34,041,789</u>	<u>1,121,543</u>	<u>(31,885,613)</u>	<u>3,277,719</u>
Consolidated	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	36,181,482	1,056,959	(32,442,037)	4,796,404
Loss after income tax expense for the period	-	-	(135,288)	(135,288)
Other comprehensive income for the period, net of tax	-	50,188	-	50,188
Total comprehensive income for the period	-	50,188	(135,288)	(85,100)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	1,256,646	-	-	1,256,646
Share-based payments (note 15)	-	109,133	-	109,133
Balance at 31 December 2021	<u>37,438,128</u>	<u>1,216,280</u>	<u>(32,577,325)</u>	<u>6,077,083</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 2021



	Consolidated	
	31 December 2021	31 December 2020
Note	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(308,148)	(493,497)
Research & development incentives	29,841	10,000
	(278,307)	(483,497)
Interest received	285	2,489
COVID-19 incentives	-	68,191
	(278,022)	(412,817)
Net cash used in operating activities		
Cash flows from investing activities		
Payments for property, plant and equipment	(4,104)	-
Payments for exploration and evaluation	(1,671,592)	(1,087,560)
Payments for security deposits	(41,478)	(20,000)
Proceeds from disposal of investments	68,949	-
Payments for term deposit	-	(500,000)
	(1,648,225)	(1,607,560)
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issue of shares	7 1,320,000	1,402,500
Repayment of borrowings	-	(8,500)
Cost of capital raising	(79,354)	(21,738)
	1,240,646	1,372,262
Net cash from financing activities		
Net decrease in cash and cash equivalents	(685,601)	(648,115)
Cash and cash equivalents at the beginning of the financial period	2,076,700	945,246
Cash and cash equivalents at the end of the financial period	1,391,099	297,131

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 8 March 2022. 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 2021 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 2021 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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 2021 of the Consolidated Entity results in an excess of current assets over current liabilities of \$1,296,676 (30 June 2021: \$2,007,309). The Consolidated Entity made a loss after tax of \$135,288 during the half-year ended 31 December 2021 (2020 loss: \$1,708,701) and had operating & investing cash outflows of \$1,926,247 (31 December 2020: \$2,020,377). The cash balances as at 31 December 2021 was \$1,391,099 (30 June 2021: \$2,076,700). 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.

In assessing the appropriateness of the going concern assumption, the directors have considered the Consolidated Entity's successful history of capital raising:

On 14 September 2021, the Company issued 27,625,000 fully paid ordinary shares to professional, sophisticated and other exempt investors at an issue price of \$0.044 (4.4 cents) per Share, raising \$1,215,500 before costs.

On 25 November 2021, the Company issued 2,375,000 fully paid ordinary shares to Directors of the Company at an issue price of \$0.044 (4.4 cents) per Share, raising \$104,500 before costs following the receipt of shareholder approval granted on 17 November 2021.

The funds from this capital raising will enable further geophysics and drilling at the Consolidated Entity's exploration projects and general working capital requirements.

The Consolidated Entity is involved in exploration for minerals in Australia. 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 Company's existing placement capacity
- Liquidating some or all of its investments
- 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 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 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 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 4. Other income

	Consolidated	
	31 December 2021	31 December 2020
	\$	\$
Government grants	29,841	19,000
Revenue from sale of tenements and royalty rights	250,226	348,340
Other income	280,067	367,340

Option to sell EL32228 Benmara Station (Tenement).

On 15 December 2020, the Company has signed a binding term sheet with Resolution Minerals Ltd (ASX: RML) for a 12-month Option to sell EL32228 which covers 663km² in the Northern Territory on Benmara Station (Tenement). RML has a 12-month Option to purchase a 100% interest in the Tenement and associated information from SER. During the Option Period, RML will be required to keep the tenement in good standing and have the tenement granted prior to the 2021 field season. RML issued 2,500,000 shares as the Consideration to SER for entering into the Option agreement, which is recognised as other income in the income statement. These shares were recognized as other income in the financial statement.

On 11 November 2021 RML exercised their purchase option and elected to make payment via the issue of 13,773,778 shares as approved by shareholders at Annual General Meeting. The number of shares has been calculated using the VWAP over the 5-day period prior to RML's election to proceed. RML issued 16,273,778 consideration shares on 12 November 2021 and in the Consolidated Entity these consideration shares are recognised through income statement, at their issue date carrying value of the asset was \$60 and fair value amounting to \$247,928.

Sale of Uley Graphite Royalty

On 16 June 2020, the Company has entered into an agreement to sell its 1.5% Gross Revenue Royalty on production from the Uley Graphite Project in South Australia to Vox Royalty Australia Pty Ltd (Vox Australia), a wholly owned subsidiary of Vox Royalty Corp (TSXV:VOX) (Vox Royalty) for total consideration of AUD\$500,000. The consideration comprises AUD 80,000 cash, AUD 200,000 in Vox Royalty shares upon satisfaction of certain completion conditions and AUD 220,000 in Vox Royalty shares upon commercial production at Uley.

The agreement was completed in July 2020, when certain conditions attached the agreement were satisfied. The Company received \$80,000 cash and 58,031 VOX shares amounting to \$170,840 (at their issue date fair value), which was recognised as other income in the financial statements with corresponding shares being recognised as a financial asset at fair value through other comprehensive income. These investments are revalued as per the Consolidated Entity's accounting policies at 31 December 2021. The remaining AUD 220,000 worth shares are contingent subject to commencement of commercial production at Uley, therefore not recognised in the financial statements. During November 2021 the Company disposed of 18,031 fully paid ordinary shares for a cash consideration of \$68,950 at a gain of \$2,357.

Note 5. Non-current assets - Financial assets at fair value through other comprehensive income

	Consolidated	
	31 December	30 June 2021
	2021	2021
	\$	\$
Equity investments in quoted equity shares	435,359	203,836
Equity investments in Ionic Industries Limited	654,000	654,000
	<u>1,089,359</u>	<u>857,836</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening balance	857,836	-
Fair value increments on Ionic Industries Limited	-	654,000
Disposal of investment in Vox Royalty Corp	(66,593)	-
Additions: Vox Royalty Corp	-	170,840
Additions: Resolution Minerals Ltd	247,928	97,500
Revaluation increments Vox Royalty Corp	65,824	(19,504)
Revaluation decrements Resolution Minerals Ltd	(15,636)	(45,000)
Closing fair value	<u>1,089,359</u>	<u>857,836</u>

Equity investments which are not held for trading, and which the Consolidated Entity has irrevocably elected at initial recognition to recognise as financial assets at fair value through other comprehensive income. These are strategic investments and the Consolidated Entity considers this classification as most appropriate in the financial statements.

Refer to note 9 for further information on fair value measurement.

Investments in Vox Royalty Corp (TSXV:VOX)

At the beginning of the reporting period the Company held 58,031 Vox share and these were valued using current market fair values at the balance sheet date. During the half year ended the Company sold 18,031 shares for \$ 68,950 at a gain \$2,357.

Refer to note 4 for further information on fair value measurement.

At the beginning of the reporting period the Company held 58,031 Vox share and these were valued using current market fair values at the balance sheet date. During the half year ended the Company sold 18031 shares for \$ 68,950 at a gain \$2,357.

Option to sell EL32228 Benmara Station (Tenement).

Refer note 4 for further information on fair value measurement.

Ionic Industries Limited (Ionic)

The Consolidated Entity holds 87,155,625 shares in Ionic Industries Limited (an unlisted company) valued at \$654,000 at 31 December 2021 using Level 2 measurement principles from the fair value hierarchy. Level 2 assets are financial assets that do not have regular market pricing but whose fair value can be determined based on other data values or market prices. Specifically, in the case of Ionic this is by reference to material capital raising completed on an arm's length basis.

Gasfields Limited

The Consolidated Entity currently holds 20,000,000 fully paid ordinary shares in Gasfields Limited, which have been valued at \$Nil. During the year 2021 the ASX delisted GFS from the ASX and therefore management has continued to carry the investment at Nil value. There has been no further changes during the reporting period

Note 6. Non-current assets - exploration and evaluation assets

	Consolidated	
	31 December 2021	30 June 2021
	\$	\$
Exploration and evaluation assets - at cost	<u>3,601,375</u>	<u>1,884,627</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

Consolidated	Exploration and evaluation assets
	\$
Balance at 1 July 2021	1,884,627
Expenditure during the half-year	<u>1,716,748</u>
Balance at 31 December 2021	<u>3,601,375</u>

Note 7. Equity - issued capital

	Consolidated			
	31 December 2021	30 June 2021	31 December 2021	30 June 2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>242,639,790</u>	<u>212,639,790</u>	<u>37,438,128</u>	<u>36,181,482</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2021	212,639,790	36,181,482
Issue of fully paid ordinary shares	14 September 2021	27,625,000	\$0.0440 1,215,500
Issue of fully paid ordinary shares	25 November 2021	2,375,000	\$0.0440 104,500
Capital raising costs		-	\$0.0000 (63,354)
Balance	31 December 2021	<u>242,639,790</u>	<u>37,438,128</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 8. Equity - reserves

	Consolidated	
	31 December 2021	30 June 2021
	\$	\$
Financial assets at fair value through other comprehensive income reserve	639,684	589,496
Options reserve	576,596	467,463
	<u>1,216,280</u>	<u>1,056,959</u>

Movements in reserves

Movements in each class of reserve during the current financial period are set out below:

	Options reserve	Financial assets at fair value reserve	Total
	\$	\$	\$
Balance at 1 July 2021	467,463	589,496	1,056,959
Share based payments	109,133	-	109,133
Net revaluation increments on financial assets at fair value	-	50,188	50,188
Balance at 31 December 2021	<u>576,596</u>	<u>639,684</u>	<u>1,216,280</u>

Note 9. Fair value measurement

Fair value hierarchy

The following tables detail the Consolidated Entity's assets and liabilities, measured or disclosed 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

Level 3: Unobservable inputs for the asset or liability

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Consolidated - 31 December 2021				
Assets				
Equity investments in quoted equity shares	435,359	-	-	435,359
Equity investments in unquoted equity shares	-	654,000	-	654,000
Total assets	<u>435,359</u>	<u>654,000</u>	<u>-</u>	<u>1,089,359</u>
Consolidated - 30 June 2021				
Assets				
Equity investments in quoted equity shares	203,836	-	-	203,836
Equity investments in unquoted equity shares	-	654,000	-	654,000
Total assets	<u>203,836</u>	<u>654,000</u>	<u>-</u>	<u>857,836</u>

There were no transfers between levels during the period.

The carrying amounts of cash & cash equivalents, trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Note 9. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2

The Consolidated Entity's investments in unquoted equity investments are not traded in active markets. This investment have been fair valued using observable market transactions. The fair value estimate has been determined from the perspective of a market participant that holds these equity instrument as assets at 31 December 2021.

Factors such as involvement of independent brokers, participation by wide range shareholders (both new and existing), significance of the capital raised and controls are considered in determining the fair value used for valuation purposes.

Note 10. Contingent liabilities

The Consolidated Entity had no contingent liabilities at 31 December 2021 and 30 June 2021.

Note 11. Commitments

	Consolidated	
	31 December	30 June 2021
	2021	2021
	\$	\$
<i>Exploration Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	549,730	1,216,983
One to five years	3,187,815	4,865,167
	<u>3,737,545</u>	<u>6,082,150</u>

The commitments above represent the minimum spending required for each areas of interest owned by the Consolidated Entity and exclude formed-out exploration interests, which are not managed by the Consolidated Entity.

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 statements as 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 year which can result in work programs for certain years being met.

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	30 June 2021
		2021	2021
		%	%
Strategic Nickel Pty Ltd*	Australia	100.00%	100.00%
Strategic Sands Pty Ltd	Australia	100.00%	100.00%
Strategic Caldera Pty Ltd	Australia	100.00%	100.00%

*Strategic Nickel Pty Ltd was deregistered with ASIC on 10 February 2022. No commercial activity was being undertaken by the company.

Note 13. Events after the reporting period

On 17 January 2022, the Company was awarded \$120,000 co-funding grant from New South Wales Government to support diamond drilling activities at the Achilles 1 Prospect within our South Cobar project (EL9012). The drill program will follow a soil geochemistry survey over the target area using CSIRO's Ultrafine+™ next gen analytics scheduled for later this month.

No other matter or circumstance has arisen since 31 December 2021 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 2021	31 December 2020
	\$	\$
Loss after income tax attributable to the Owners of Strategic Energy Resources Limited	<u>(135,288)</u>	<u>(1,708,702)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>193,240,249</u>	<u>150,412,162</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>193,240,249</u>	<u>150,412,162</u>
	Cents	Cents
Basic earnings per share	(0.07)	(1.14)
Diluted earnings per share	(0.07)	(1.14)

Note 15. Share-based payments

On 30 November 2021, the Company issued 6,333,333 unlisted options to current directors, at nil exercise price, expiring on 30 November 2024.

The grant of the share options was approved by shareholders at the Annual General Meeting held on 17 November 2021.

The vesting conditions attached to the Options are split between a market-based vesting condition ("Tranche 1") and non-market based vesting conditions ("Tranche 2" and "Tranche 3"), as summarised below:

- Tranche 1 Options will vest upon the achievement of 20-day VWAP share price hurdles as outlined in Table 2 opposite prior to 1 July 2022; and
- Tranche 2 Options will vest upon satisfaction of various operational vesting conditions (exploration, financial, and safety & environment) prior to 1 July 2022; and
- Tranche 3 Options will vest upon the holder remaining a Director of the Company as at 30 June 2022.

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

31 December
2021

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
12/12/2019	12/12/2022	\$0.1000	2,000,000	-	-	-	2,000,000
12/08/2020	12/12/2022	\$0.1000	200,000	-	-	-	200,000
04/12/2020	04/12/2023	\$0.1000	9,000,000	-	-	-	9,000,000
04/12/2020	12/12/2022	\$0.1000	600,000	-	-	-	600,000
30/11/2021	30/11/2024	\$0.0000	-	6,333,333	-	-	6,333,333
			<u>11,800,000</u>	<u>6,333,333</u>	<u>-</u>	<u>-</u>	<u>18,133,333</u>

Note 15. Share-based payments (continued)

31 December
2020

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
27/11/2017	28/11/2020	\$0.1000	6,250,000	-	-	(6,250,000)	-
12/12/2019	12/12/2022	\$0.1000	2,000,000	-	-	-	2,000,000
12/08/2020	12/12/2022	\$0.1000	-	200,000	-	-	200,000
04/12/2020	04/12/2023	\$0.1000	-	9,000,000	-	-	9,000,000
04/12/2020	12/12/2022	\$0.1000	-	600,000	-	-	600,000
			8,250,000	9,800,000	-	(6,250,000)	11,800,000

The Consolidated Entity valued the options using either Black-Scholes or Monte-Carlo simulation valuation methodologies, with the following inputs used to determine the fair value for options granted during current and previous period:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
17/12/2019	12/12/2022	\$0.0500	\$0.1000	126.00%	0.70%	\$0.030
12/08/2020	12/12/2022	\$0.0800	\$0.1000	137.00%	0.26%	\$0.073
04/12/2020	04/12/2023	\$0.0600	\$0.1000	134.00%	0.11%	\$0.041
04/12/2020	12/12/2022	\$0.6000	\$0.1000	135.00%	0.10%	\$0.034
30/11/2021	30/11/2024	\$0.0000	\$0.0000	100.00%	0.99%	\$0.037

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 2021 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



Mr Stuart Rechner
Executive Chairman

8 March 2022

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 Company) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 31 December 2021, 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, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Strategic Energy Resources Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Strategic Energy Resources Limited's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$135,288 during the half year ended 31 December 2021 and had operating and investing cash outflows of \$1,926,247. 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 Consolidated Entity'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 Consolidated Entity's financial position as at 31 December 2021 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*.

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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



T S Jackman
Partner – Audit & Assurance

Melbourne, 8 March 2022