



STRATEGIC ENERGY RESOURCES LIMITED

ACN 051 212 429

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27 January 2011

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Quarterly Report to 31 December 2010

HIGHLIGHTS FOR THE QUARTER:

- **Indicative agreement for Uley development**
 - North American JV partner to fund US\$32,500,000 for a 51% stake
 - US\$1,000,000 cash payment on signing definitive agreement
 - Plant capacity 45,000 TPA
 - Envisaged development time frame of two years
- **Uley drilling program**
 - Drilling commenced on 15 January
 - Coffey appointed project manager
 - Initial program of 12 holes
- **Research grant using Uley graphite approved – collaboration with Monash University**
- **Falcon Bridge nickel project deeper drilling program completed – awaiting results – Ishine expected to commit to year 2 expenditure of a further \$1,000,000**
- **Myall Creek - PIRSA drilling approval granted**
- **Placement strengthened cash position**

Strategic Energy Resources Limited (ASX Code: SER) holds a number of interests in oil and mineral exploration assets and the Uley graphite mine at Port Lincoln, South Australia (presently under care and maintenance). These include significant interests in three offshore petroleum exploration permits in the Gippsland Basin, Victoria, and an interest in the JV assets of one onshore petroleum exploration block in the Cooper Basin, South Australia. It holds mineral exploration licences in South Australia, Western Australia and Victoria.

1. MINERAL EXPLORATION

1.1 ULEY GRAPHITE MINE (SER 100%) PORT LINCOLN, SA

Uley Graphite Project

Located only 23 kilometres from Port Lincoln, the regional centre for the Lower Eyre Peninsula in South Australia, Uley is recognised as a substantive and significant area of graphite mineralisation. The graphite deposit is one of the largest coarse flake graphite deposits in the world, containing disseminated, high-grade flake graphite.

The mineralisation is near surface and the graphite produced from the former operation was accepted by many traders for its high quality.

Indicative Agreement for Uley Development

On December 17, SER announced that it had signed a non-binding, non-exclusive term sheet with a North American minerals group for the development of the Uley graphite project. It is envisaged the term sheet will form the basis of a detailed contract to be concluded in approximately three months, and after the conclusion of due diligence and engineering studies by both parties.

On signing of the definitive joint venture agreement, SER will receive USD\$1,000,000, with the proceeds to be applied to the base engineering, planning, permitting, etc, for the proposed 45,000 TPA processing facility.

The incoming group will also commit USD\$32,500,000 on an “as needs basis” during the construction stages in 2011.

SER will also be entitled to a 1.5% revenue royalty on top of their retained 49% stake in the project.

The parties will also retain their respective marketing rights, but SER will contract its rights to the incoming party for a period yet to be agreed.

Drilling Program

A program of 10 diamond drill holes, now expanded to 12 holes, has been undertaken after delays due to rain and the results will be available during the first quarter. Drilling at the Main Road deposit commenced on 15 January 2011.

Coffey Mining has been appointed to supervise the programme including the geological logging and sampling. United Drilling Services Pty Ltd is the contracted drilling company.

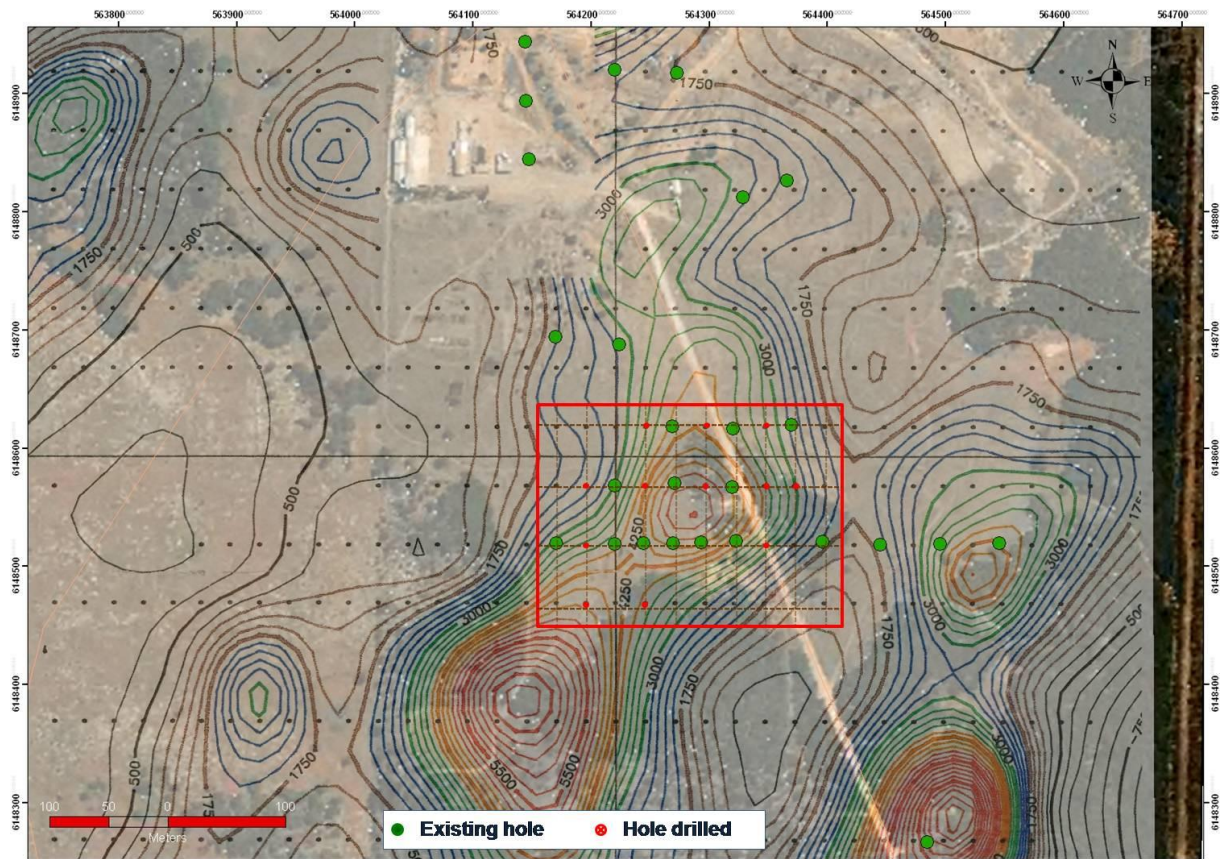
In 2009, SER announced its first JORC compliant resource statement for Uley's Main Road graphite deposit and in January this year the subsequent resource upgrade: 4 million tonnes @ 8.1%, of which we have an Indicated JORC of 2.2 million tonnes @ 7.5% and an Inferred JORC of 1.8 million tonnes @ 8.9%.

The purpose of the drilling is to confirm the shape of the current Main Road resource.

It is expected that there will be an upgrade of the resource as well as the opportunity to undertake pit design, which will feed into the mining information for the feasibility study.

Pit design is important in determining initial production capacity and to demonstrate to the many current interested parties, Uley's ability to supply volume.

In order to expedite production of graphite, SER is fully focussing on the Main Road deposit.



The graphite market has seen a resurgence of interest due to a number of key factors. In particular the:

- diminishing supply from China as it placed restrictions on graphite exports in July of this year
- many companies are also facing the prospect of price increases as supply diminishes
- potential increase in demand arising from exciting new technologies, in particular electrical vehicle (lithium-ion) batteries, where graphite is a key component (each battery uses 3-8 kilograms of graphite).

Research Grant Approval

SER is pleased to announce that our application, in collaboration with Monash University, for an Australian Research Council grant using Uley graphite has been

approved. As previously announced, SER has formed a strategic alliance with Monash University to develop a technological base for the utilization of graphite in high-tech applications, such as the energy sector. The energy sector is a growing market for the use of graphite and SER is focussed on becoming a participant. The Company is also aware of the vast advances nanotechnology is making to utilize graphite based materials for electronic, energy, and environmental applications. We believe creating an intellectual knowledge-base is an important element of our business plan that will maximise the potential of our Uley graphite project.

With limited resources for undertaking research and development, SER is partnering Monash University to explore opportunities in a cost effective manner. This collaboration will enable us to develop a long term relationship and thereby create additional opportunities in developing the Uley graphite deposit. While SER will make small cash and in-kind contribution to the research over three years, Monash is expected to receive over \$200,000 from the Australian Research Council. Past production at Uley produced +50, +80 and +100 mesh product. Graphite measured at minus 150 microns, referred to as 'fines' were discarded. SER and the team from Monash University are attempting to utilize these 'fines' to create value added products. Our research project will be specifically aimed at reclamation of 'fines' and the generation of intellectual property for converting these fines into high-value products for super-capacitor and battery applications.

The next step in our collaboration with Monash University is for the Research Agreement to be signed and the funding from ARC and the project will commence in January 2011.

1.2 MYALL CREEK (TREGALANA) (SER 50%) EL 3538 SOUTH AUSTRALIA

The Myall Creek Copper Project (EL3538) covers an area of 855 km² and is located on the southern Stuart Shelf between Whyalla and Port Augusta (Figure 1), a highly prospective part of the eastern margin of the Gawler Craton. The license area is immediately west of the Torrens Hinge Zone and close to the sites of the Hiltaba granites. Copper and base metal mineralisation has been delineated over a wide area and in a range of the Proterozoic host rocks in this region. SER holds a 50% interest in the licence. As noted in SER's 2010 Annual Report, U Energy Pty Ltd, a company associated with SER's Managing Director, has advised that on 10 August 2010 it completed the acquisition of Minotaur Exploration Limited's interest in EL3538 – Myall Creek (50%). During the December quarter U Energy Pty Ltd was sold to a public company Fleurieu Mines NL. SER's Mr Muzzin is no longer a director of U Energy, but is a director and shareholder in Fleurieu Mines NL.

SER's exploration programme is focused on a prospect named Honeymoon Dam. The Honeymoon Dam Prospect programme is for three 150m holes along a dirt road (Figure 3). The drilling area is located at a dilation site of the intersection between the NW and WNW trending faults and close to the sites of gravity and magnetic anomalies (Figure 4, 5). The drilling section is also adjacent to a highly chargeable body in the IP survey line 77700N. The Honeymoon Dam Prospect is 2.5km south of the known Myall Creek mineralisation zone. Depths to the mineralisation zones in the area are in the range of 50-150m. SER has received drilling approval from Primary Industries and Resources SA.

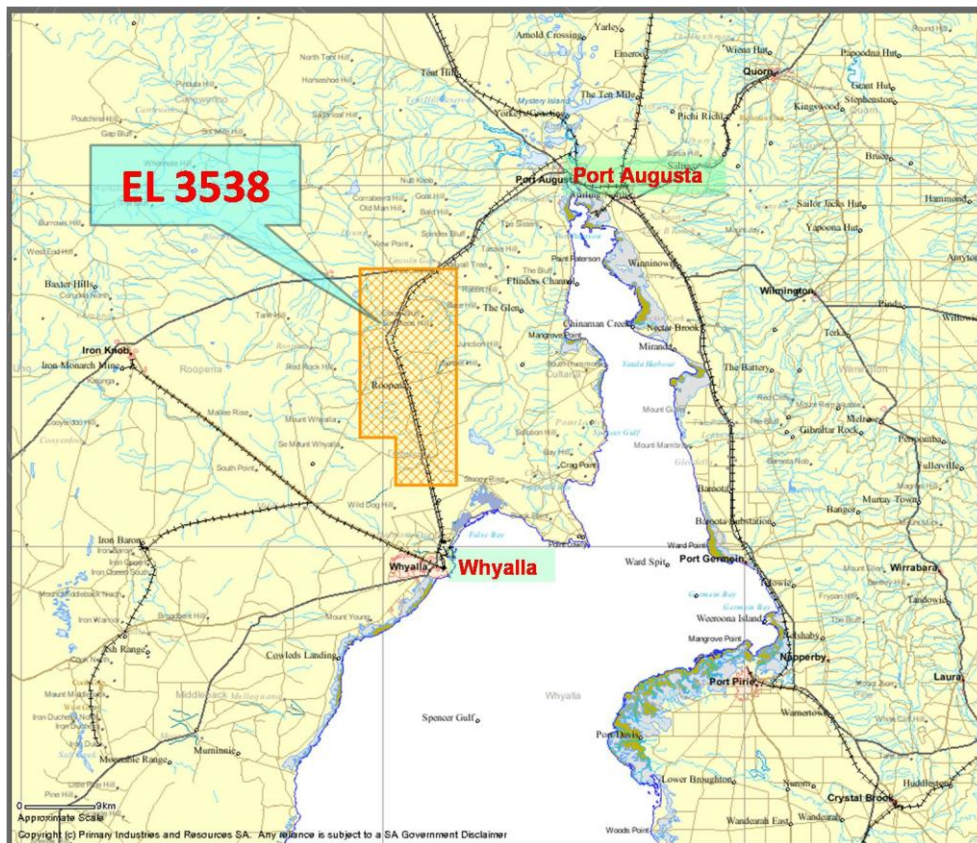


Figure 1. Index map shows Myall Creek Copper Project (EL 3538).

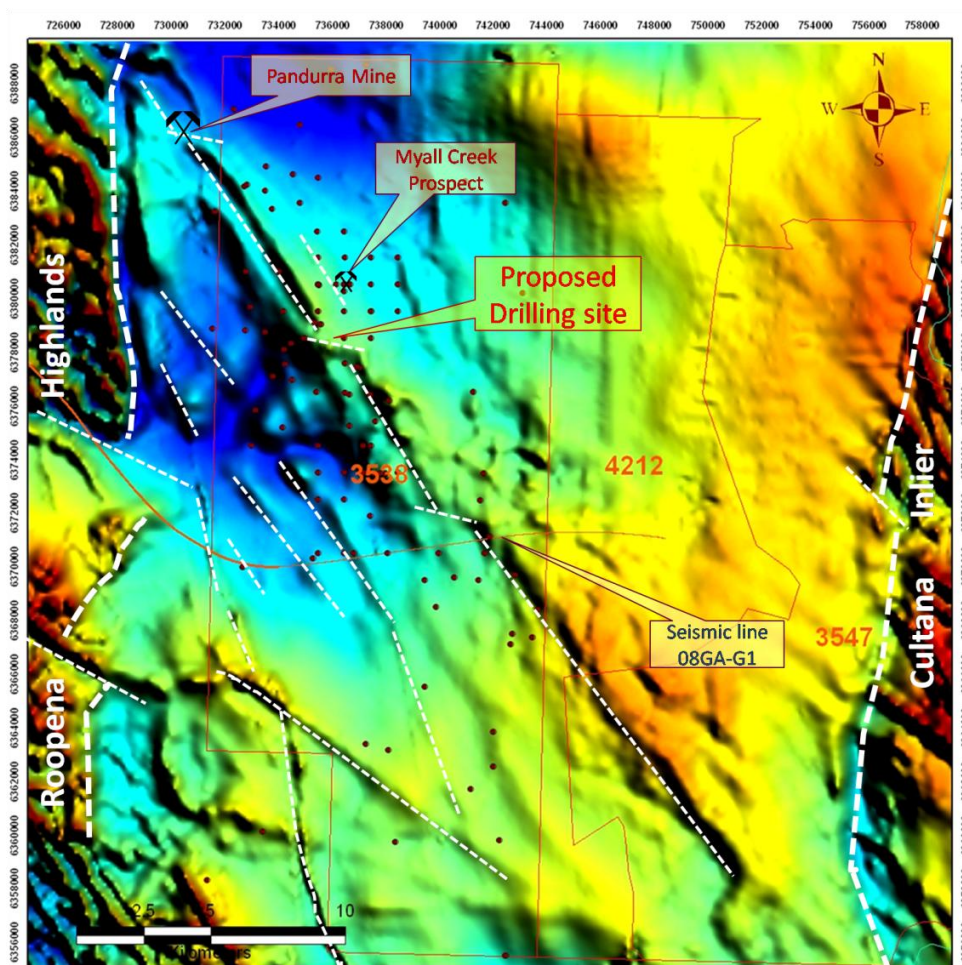


Figure 2. Geological interpretation in the license area (TMI image).

1.3 CULTANA (SER 75%) EL 3547 SOUTH AUSTRALIA

The Cultana Lease EL3547 covers an area of 792 km² within the Cultana Army Training Area south of Port Augusta in South Australia. Access to the Army Base has only been approved for mineral exploration on three prior occasions. Ten holes were drilled in the licence area, and none of them penetrated crystalline basement. The Cultana Inlier is considered to be one of the best remaining blocks to explore for IOCG (iron oxide, copper, gold) mineralisation in South Australia. SER holds a 75% interest in the licence. As noted in SER's 2010 Annual Report, U Energy Pty Ltd, a company associated with SER's Managing Director, has advised that on 10 August 2010 it completed the acquisition of Minotaur Exploration Limited's interest in EL3547 – Cultana (25%). During the December quarter U Energy Pty Ltd was sold to a public company Fleurieu Mines NL. SER's Mr Muzzin is no longer a director of U Energy, but is a director and shareholder in Fleurieu Mines NL.

The project still requires the standard regulatory approvals from PIRSA and more importantly, access permission from both the Department of Defence and Department of Finance prior to any exploration program. There are also Cultural Heritage issues that require consultation and clearance from indigenous groups. The approval process is currently being worked through.

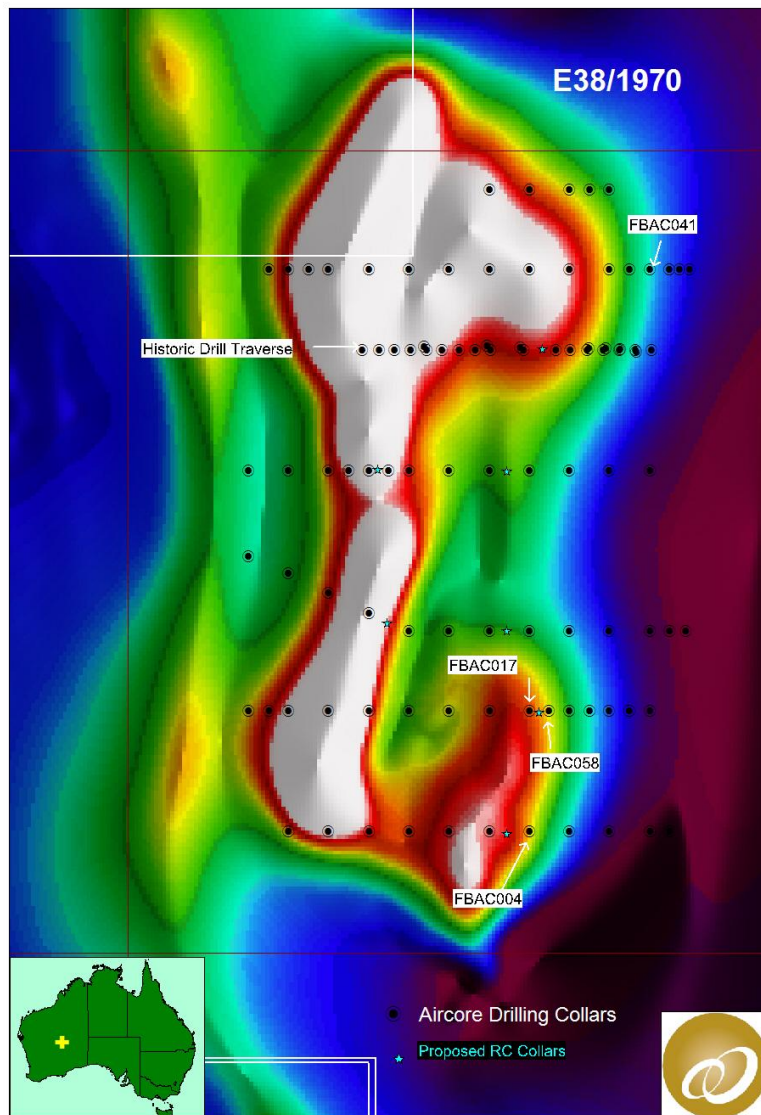
SER believes access permission should be granted for drilling, subject to all approvals.

1.4 FALCON BRIDGE (SER 95% diluting) E38/1970, P38/3382, P38-3383-4 WESTERN AUSTRALIA

In late 2009, Ishine International Resources Ltd ("ISH") entered into a Joint Venture Agreement allowing Ishine to earn up to a 70% interest from SER in the tenements by funding up to \$3 million on exploration expenditure. The Joint Venture area covers approximately 17km of strike of ultramafic rich stratigraphy in the Duketon Greenstone Belt coincident with linear magnetic anomalism.

With encouraging results from the first drilling campaign, 72 Aircore holes of 3,459m in total in the anomalous area of the Falcon Bridge JV project, Ishine carried out a 7-hole RC drilling program in the reporting period testing the geochemical anomalies beneath the base of weathering and/or the interpreted basal contact position. Assay results of the RC drilling samples arrived at the end of the reporting period. Ishine is currently reviewing the results and is aiming to release the results in February 2011.

Discussions with Ishine have indicated that they will be proceeding into Year 2 of the earning phase of the Joint Venture arrangements. For Ishine to earn a 50% interest in the project, they must spend a further \$1,000,000 on exploration during this current year.



Plan view of the Aircore drilling lines and TEM anomaly

2. OIL AND GAS EXPLORATION

2.1 PEL-182 - (SER 37.6%)

ONSHORE PETROLEUM EXPLORATION – COOPER BASIN, SA

As first reported in our Quarterly Report to June 30, 2009, we have a dispute with a joint venture participant, Australian Oil Company No.2 Pty Ltd, with respect to its compliance with the terms of its farmin agreement with our Company, and we are in discussions with Australian Oil Company No.2 Pty Ltd to resolve the outstanding issues. As Australian Oil Company Limited has announced, both parties are in discussions about SER retaining a 5% interest in PEL182. However, we are hopeful the arrangements will be concluded during the next quarter.

2.2 VIC/P47 – (SER 25%) OFFSHORE GIPPSLAND BASIN

The Vic/P47 exploration permit is located in the offshore Gippsland Basin, 14 km from the coast and south of the Victorian town of Orbost, with water depths ranging up to 80m.

Vic/P47 contains the Judith and Moby gas discoveries. Judith contains certified gas resources (Gaffney Cline & Associates 2008) and both Judith and Moby are in close proximity to existing and planned infrastructure in adjacent licences. 22 km to the west, the Longtom Field has commenced gas production – the first production from the same geological unit as the Judith discovery.

A short distance to the south of the Judith field, ExxonMobil is currently drilling Kipper field development wells with a target of first production of gas and liquids in 2011.

Discussions with potential Vic/P47 farminees are ongoing.

2.3 VIC/P41 – (SER 25% possibly diluting to 17.5%) VIC/P66 – (SER 23%) EASTERN OFFSHORE GIPPSLAND BASIN

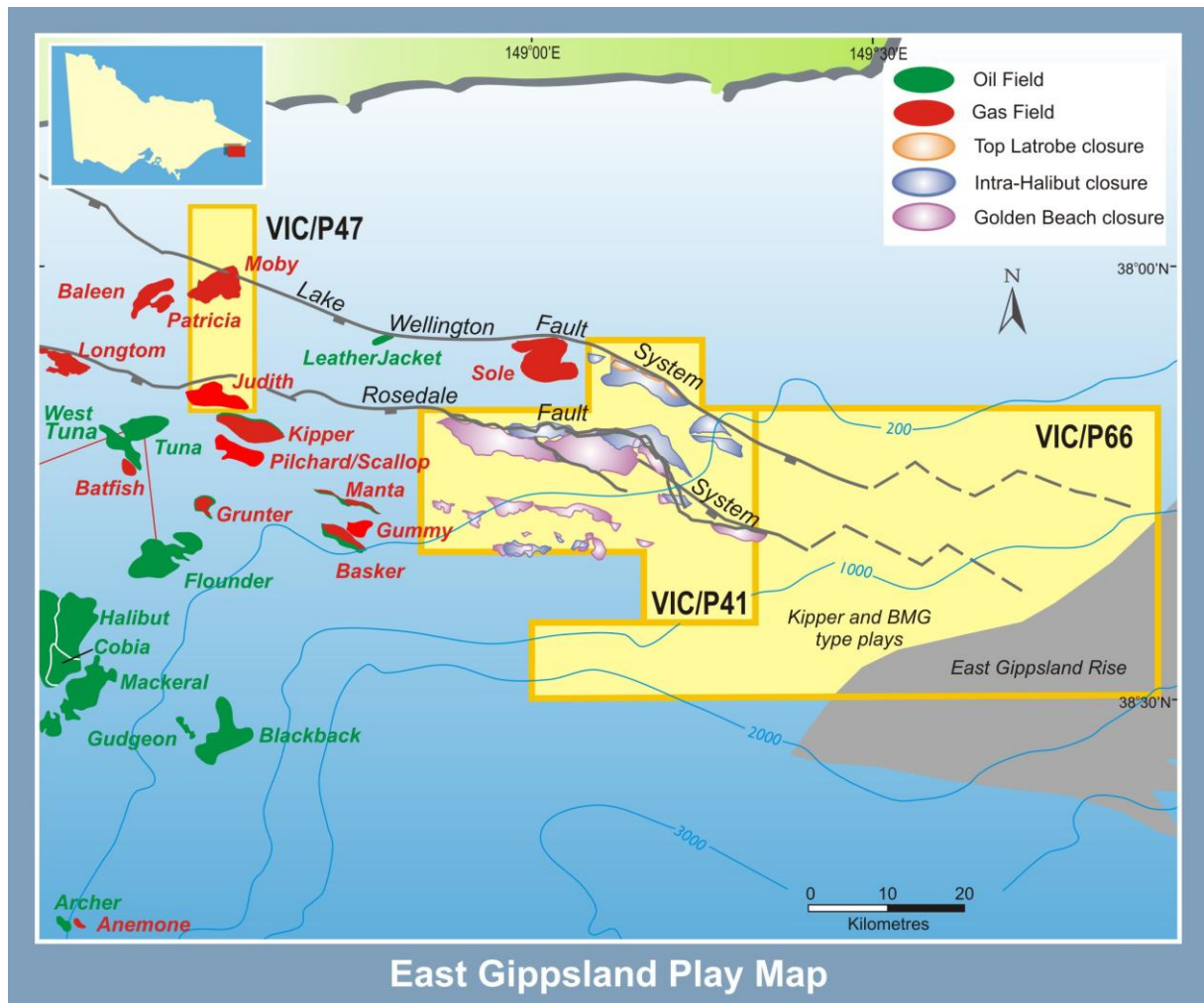
Permits Vic/P41 and Vic/P66 are located adjacent to each other in the east of the offshore Gippsland Basin, from approximately 40 km south of the Victorian coast. The operator maps extensions of two productive trends across its East Gippsland permits:

- the eastward extension Rosedale Fault system sets up prospects analogous to the Kipper oil and gas field (development drilling underway ahead of first production scheduled for 2011)
- further south, a second trend extension is analogous to the Basker / Manta / Gummy oil and gas fields (in production since December 2006 for Roc Oil and partners).

Vic/P41 contains a number of large prospects defined on modern 3D seismic, notably Kipling, Benchley and Oscar, whereas Vic/P66 while containing an part of the 2D-defined 'Lead A' feature, is still at an early stage of exploration with clear potential to further extend the Rosedale trend in to new areas.

The recent ExxonMobil/BHP Billiton discovery at SE Remora-1 provides new impetus to exploration of these trends and the nearby investment in the Kipper development is directly relevant to the Kipling and Benchley prospects in Vic/P41.

To further define and 'de-risk' these opportunities two new technical studies were initiated and studies are on-going and are showing promising results. The seismic inversion project (Vic/P41) will analyse both 2D and 3D seismic over Rosedale trend prospects and leads (i.e. Kipper analogues) for indications of hydrocarbon anomalies and other factors. A basin modelling project (jointly funded by Vic/P41 and Vic/P66) is aimed at defining the nature of hydrocarbon charge in to the east Gippsland area. (i.e. oil vs gas) as well as the timing and migration pathways of this charge.



VIC/P41 Work Program Variation Approved

The Joint Authority has approved a variation to replace the well commitment with geological and geophysical studies in Year 5 of the work program.

The variation was approved on the understanding that it will provide the Joint Venture with the opportunity to undertake the Seismic Inversion Study in order to generate more robust and credible seismic information within Vic/P41.

3.0 CORPORATE MATTERS

As previously reported the financial position of the company has been further improved with the successful placement of 8,600,000 new ordinary shares with 'Sophisticated Investors' and 'Professional Investors' at A\$0.051 per share to raise \$438,600.

Mark Muzzin
Managing Director

The Myall Creek information is based on information compiled by SER's chief geological consultant, Dr Wenlong Zang. Dr Zang is engaged by SER and is a qualified person as defined under the ASX Listing Rules and has consented in writing to the inclusion of the information.

The Falcon Bridge technical information in this report that relates to Exploration Results is based on information reviewed by Mr Martin Dormer who is a member of The Australasian Institute of Mining and Metallurgy. Mr Martin Downer is a Chief Geologist of Ishine International Resources Ltd. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Martin Dormer consents to the inclusion in this report of the matters based on his information in the form and consent in which it appears.

The Uley graphite information in this report that relates to Resources and Exploration Results is based on information compiled by Albert Thamm who is a Fellow of the Australasian Institute of Mining and Metallurgy. Albert Thamm, who is an employee of Coffey Mining, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. He has consented to the inclusion in the report of these matters based on his information in the form and context in which it appears, on 21 January, 2010 in West Perth, Western Australia.

Risk Factors

Various statements in this release constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, expectations, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or impliedly portrayed herein.

Furthermore, exploration for oil, gas and minerals is speculative, expensive and subject to a wide range of risks. Individual investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional advisor as to the suitability for them of an investment in the Company.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

STRATEGIC ENERGY RESOURCES LIMITED

ABN

14 051 212 429

Quarter ended ("current quarter")

31 DECEMBER 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(122)	(260)
(b) development	-	-
(c) production	-	-
(d) administration	(219)	(392)
(e) bank guarantee	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	24
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(334)	(628)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.9 Proceeds from sale of: (a)prospects	-	927
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	927
1.13 Total operating and investing cash flows (carried forward)	(334)	299

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(334)	299
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	479	479
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	479	479
	Net increase (decrease) in cash held	145	778
1.20	Cash at beginning of quarter/year to date	1,681	1,048
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,826	1,826

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2
1.24	Aggregate amount of loans to the parties included in item 1.10

1.25 Explanation necessary for an understanding of the transactions

Payments to Directors, consultants and related parties for the December Quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	-
4.3 Production	-
4.4 Administration	150
Total	450

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	306	661
5.2 Deposits at call	1,520	1,020
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,826	1,681

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

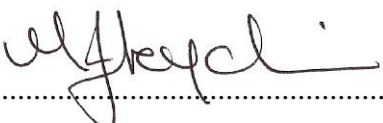
	Number issued	Number quoted	Par value (cents)	Paid-up value (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	330,622,499	330,622,499		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	9,400,000	9,400,000	\$0.051	\$0.051
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.7 Options (description and conversion factor)	8,000,000 2,000,000 3,000,000 2,000,000 2,500,000 2,500,000	- - - - - -	<i>Exercise price</i> \$0.05 \$0.10 \$0.04 \$0.05 \$0.06 \$0.08	<i>Expiry date</i> 9/5/2013 12/12/2012 30/6/2014 30/6/2014 30/6/2014 30/6/2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Cancelled during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


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Date: 27th January 2011

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.