Strategic Energy Resources Limited

ABN 14 051 212 429

Annual Report - 30 June 2011

Directors	Glenister Lamont (appointed Chairman 15 March 2011) (Non-Executive Chairman) Mark A Muzzin (Managing Director) Peter Armitage (appointed 28 February 2011) (Non-Executive Director)
Company secretary	Melanie J Leydin
Registered office	Suite 304, 22 St Kilda Road ST KILDA VIC 3182 Ph: +613 9692 7222 Fax: +613 9529 8057
Principal place of business	Level 1, 500 Collins Street MELBOURNE VIC 3000 Ph: 03 9629 2330 Fax: 03 9629 2332
Share register	Advanced Share Registry 150 Stirling Highway NEDLANDS WA 6009 Ph: 08 9389 8033
Auditor	BDO Audit (NSW-VIC) Pty Ltd The Rialto, 525 Collins Street MELBOURNE VIC 3000
Stock exchange listing	Strategic Energy Resources Limited shares are listed on the Australian Securities Exchange (ASX code: SER)
Website address	www.strategicenergy.com.au

Chairman's letter

Dear Shareholder

The recent financial year has seen significant progress for Strategic Energy Resources (SER) in realising value for its key project the Uley Graphite mine. While SER has owned Uley for many years, the graphite market has been plagued by low prices and over capacity, mainly from China, preventing any chance of commencing an economic operation.

Over the last two years the prices of some graphite products have risen substantially and sustainably. This has been driven mainly by tariffs that China has imposed on exports and its need to divert more of its production to internal consumption. As a result SER has been approached by consumers and traders in Japan, Asia, Europe and North America with offtake agreements and development proposals. Understandably these approaches often focused on the customers or traders own needs for particular products and pricing structures and not building the required technical or marketing skills in SER that would allow the company to maximise value from Uley. Importantly, many of the approaches did not deliver value to SER for the potentially large market developing in graphite for high tech applications, including graphite's use as an anode in the fast growing lithium-ion battery market.

After evaluating many approaches, the one from Mega Graphite offered the best opportunity for SER shareholders of realising significant value quickly for Uley and also giving shareholders the possibility to participate in the potential upside from value adding to the graphite and growth in the high–tech markets. The transaction is complicated and will take considerable time to implement, however we believe it is the best path forward and have been delivered a substantial cash payment by our new partner to ensure completion of the transaction, reducing costs to shareholders.

While Uley has correctly been the main focus of the company considering it has developed into a $70 million transaction for what was a year ago, a company only capitalised at $10 million, the other assets have not been neglected. The company sold for over $900,000 in cash the majority of its interest in its oil permit in South Australia and reached agreement with the various involved parties to retain a 5% unencumbered interest. Once the weather conditions permit, SER has a manageable, yet considerable, upside to success in the block.

Drilling was also carried out at Myall Creek, however the weather and the shortage of drills in the Eyre Peninsula have conspired to not yet permit a result from this work, but we remain focused on trying to progress the project. SER remains active in looking at alternative value proposals for its Bass Strait oil and gas prospects, with the oil market only providing modest support.

During the year the previous chairman, Kim McGrath, retired and we thank him for his contribution in stabilising the company after its change of board in late 2008. We welcome Mr Peter Armitage to the board and look forward to his assistance in extracting further value from the assets.

I would like to thank our board, management, technical consultants and other contractors who put in considerable effort to ensure value is extracted from the assets. Thank you also to our shareholders, who while seeing a considerable rise in the value of their shares have chosen to support us and we look forward to your support in the coming year.

Glenister Lamont
Chairman

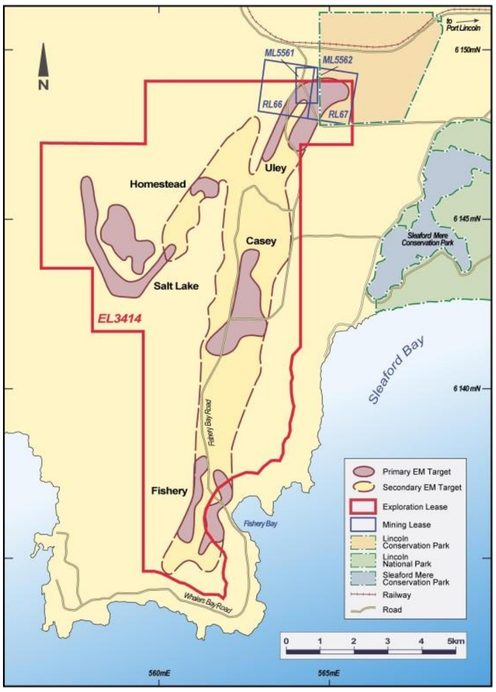
Projects Review

Uley Graphite Mine
South Australia

Located just 23 kilometres from Port Lincoln, the regional centre for the Lower Eyre Peninsula in South Australia, Uley is part of the Mikkira Graphite Province which is recognised as a substantive and significant area of graphite mineralisation. Mineralisation is near surface and the graphite produced from the former operation was accepted by many traders for its high quality.

Uley, one of the largest course flake graphite deposits in the world, contains disseminated, high-grade flake graphite and was discovered just over 100 years ago. The mine was worked intermittently since the late 1920's and last production ceased in 1993 due to unfavourable market conditions. The mine and processing facility has been under care and maintenance ever since.

When in operation the plant was capable of producing up to 14,000 tonnes per year. The 20 tonnes per hour processing plant is substantially intact and operable, however, it requires some refurbishment. Power, water and communication lines are still connected.



Licence area with anomalies

JORC compliant resource upgrade

In 2009, SER announced its first JORC compliant resource statement for Uley's Main Road graphite deposit and in January 2010 a subsequent resource upgrade was obtained from Coffey Mining Pty Ltd: 4 million tonnes @ 8.1% graphitic carbon.

In January 2011, approximately 1200 metres of drilling was completed at the Main Road deposit. The purpose of the drilling was to confirm the shape of the deposit and upgrade the resource. Analysis of the infill drilling program at the Uley Main Road deposit delivered a significant resource upgrade for the deposit as well as highlighted its high grade graphitic carbon.

The resource upgrade resulted in our indicated JORC rising 95% from 2.2 million tonnes to 4.3 million tonnes and the inferred JORC rising 27% for 1.8 million tonnes to 2.3 million tonnes. Excellent grade average was also achieved with an upgrade from 8.1% to 8.7%.

Uley Main Road Project **Lower Grade Cutoff of 3.8% Graphite - Whole Rock Grades Reported** **Ordinary Kriged Estimate using a Parent Block of 4mN by 10mE and 4mRL**			
Resource Classification	**Lower Cutoff Grade (Graphitic Carbon %)**	**Tonnage (Mt)**	**Average Grade (Graphitic carbon %)**
Indicated	3.8	4.3	9.4
Inferred	3.8	2.3	7.5
Total		***6.6***	***8.7***

The 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 15 June, 2011 in West Perth, Western Australia.

Mega Graphite Deal

On December 2010, 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. On signing of a definitive joint venture agreement, SER would 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 would also commit USD$32,500,000 on an "as needs basis" during the construction stages in 2011 for a 51% interest in the project.

The North American group was in fact Mega Graphite Inc, a private company based in Ontario, Canada. During the due diligence process for the potential joint venture, Mega indicated that they thought, considering the technology they had for upgrading graphite that acquiring the project would be more beneficial to both companies.

The directors of SER announced in May 2011 that they were able to negotiate a non-binding term sheet with Mega, which was considerably more favourable to SER and its shareholders than the joint venture agreement with Mega that was previously agreed. The intention is that shareholders of SER would receive equity in a foreign listed entity in exchange for all issued capital in the SER group company that holds the rights to the Uley Graphite Project, giving SER's shareholders exposure to a major high technology graphite and rare earths company.

In July 2011, SER announced that an Implementation agreement had been signed with Mega and that a payment of CND$800,000 had been received. The highlights of the agreement are as follows:

- Implementation Deed signed with MEGA Graphite Inc for the acquisition of a demerged subsidiary of SER which owns all rights to the Uley graphite project.
- The Demerger Scheme and Transfer Scheme are subject to the approval of the SER shareholders and Participants.
- 80% of the shares in a demerged subsidiary containing the Uley graphite project will be distributed to shareholders and 20% retained by SER.
- Shares in the demerged subsidiary will be acquired under a Transfer Scheme, in exchange for shares in MEGA Graphite, if MEGA Graphite obtains listing on the TSX; or a listed entity with which MEGA Graphite merges (Transfer Scheme Scrip).
  The amount of the Transfer Scheme Scrip will be equal to the greater of:
    - 33% of the issued capital of MEGA Graphite; or
    - a higher percentage of the issued capital in MEGA Graphite if required to reflect the value of Uley, which value must be a minimum of CDN$70m.
- A CDN$800,000 cash payment has been received by SER from MEGA Graphite, and a further CDN$200,000 payment is due upon the Transfer Scheme becoming Effective.
- SER to retain a direct holding in MEGA Graphite (or a listed merger entity) allowing shareholders exposure to graphite value adding business.
- The minimum project value of CDN$70m has an indicative value of approximately 20 cents per SER share on a fully diluted basis.
- SER Shareholders can retain their shares in SER which will also have an interest in MEGA Graphite (or a listed merger entity), and SER retains a 1.5% royalty on all product sales revenue from the Uley graphite project.

Exploration Potential & Target Ranking

Coffey Mining Pty Ltd, SER's consultants on the project, were previously engaged to rank the exploration potential of other identified deposits in the entire Uley project area.

Prospect Name	Surface Area km²	Discovery Hole	Intersections	Target ranking
Homestead	0.25	83MKRC10	18-60m, 42m @ 7.0% C 30-60m, 30m @ 8.6% C	1
Salt Lake	2.5	83MKRC08	16-42, 26m @ 7.5% C	2
Casey	3.00	83KRD011	44.2-51.9m, 7.7m @ 9.2% C	3
Remnant Uley	2.0	82MKD14	40-46m, 6m @ 6.1% C	4
Fisheries	1.5	83MKRC11	68.0-99.2m, 31m @ 7.1% C	5

Based upon the available drillhole data, Coffey estimates that the leases have an exploration potential of 25 - 150 million tonnes at 6-9% total carbon.

Homestead was highlighted as the highest priority target, as there are thick intersections of higher grade material. This deposit is close to surface and close to the existing processing facilities within the Mining Lease, which could contribute to cost savings.

Monash University ARC Agreement

SER has formed a strategic alliance with Monash University to develop a technological base for the utilisation 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 utilise 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 utilise 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 formal documentation has been completed and agreed by both parties, however, at this time stage is not signed. SER looks forward to working with Monash on this exciting project.

Other Mineral Projects

Falcon Bridge, Western Australia
(SER 95% diluting)

The Falcon Bridge Project is 80km north of Laverton in the highly prospective Duketon Greenstone Belt. In late 2009, Ishine International Resources Ltd ("Ishine") 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.

During 2010 Ishine completed two rounds of drilling at the Falcon Bridge Nickel Project. Initially 73 Aircore holes were drilled for 3,462m across six east-west traverses which resulted in the encouraging nickel and copper assays.

During late 2010 a short 8-hole reverse circulation (RC) drilling program was carried out to test some of these anomalies beneath the base of weathering and/or intersect the basal contact position of the ultramafic unit. A total of 1,199m were drilled with most holes reaching target depth.

Results were generally consistent with the first program of drilling with elevated nickel within the upper, weathered portion of the holes drilled. Results included:

- FBRC001 57m @ 0.43% Ni & 71ppm Cu from 30m
- FBRC00 45m @ 0.52% Ni & 87ppm Cu from 39m

Ishine has received an external specialist's review report on the Falcon Bridge JV project. Upon completion of a review of this report, ISH will make a further decision on its position on exploration programs for this project.

Myall Creek, South Australia
(SER 50%)

The Myall Creek Copper Project (EL3538) covers an area of 381 km² and is located on the southern Stuart Shelf between Whyalla and Port Augusta, a highly prospective part of the eastern margin of the Gawler Craton. SER holds a 50% interest in the licence. 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.

The exploration programme was focused on a prospect named Honeymoon Dam. 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.

Two holes were completed after hitting basement rocks, with mineralisation evident in the holes. The third and final hole encountered a number of difficulties and ceased at 105.2 meters, some 10 meters short of the interpreted mineralised zone. The hole was called to a halt due to poor weather conditions. Further drilling will depend on weather and rig availability. The core for the two completed holes has not been submitted for assay and analysis at this stage. The Joint Venture partners have agreed not to submit the cores for analysis until the third and final hole has been completed. This means it could be sometime before results are available.

A formal joint venture agreement between SER and U Energy Pty Ltd and its parent company, Fleurieu Mines NL, was finalised during the year.

Cultana, South Australia
(SER 75%)

The Cultana Lease EL3547 covers an area of 792 km^2 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.

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.

A formal joint venture agreement between SER and U Energy Pty Ltd and its parent company, Fleurieu Mines NL, was finalised during the year.

Casterton, Victoria
(SER 5%)

In 2010 a sale and operating agreement was signed with Encounter Minerals Pty Ltd on EL 5040, a tenement located near Casterton in Victoria. SER has sold a 95% interest in the exploration licence to Encounter Minerals Pty Ltd for a 5% free-carried interest for the first five years of the permit or the first $600,000 of expenditure of the work program, whichever occurs first. SER was also reimbursed back-costs associated with acquiring the exploration licence.

Oil and Gas Exploration

Onshore Petroleum Exploration

Cooper Basin, South Australia (SER 5%)

In 2010 SER sold its 37.6% interest in PEL182 for a total cash consideration of $927,000. SER had previously been in dispute with Australian Oil Company No2 regarding an additional interest in the joint venture. This dispute was resolved with the result being SER holds an unencumbered 5% interest in the permit.

Offshore Gippsland Basin
VIC/P47 (SER 25%)
VIC/P41 (SER 25% possibly diluting to 17.5%)
VIC/P66 (SER 23%)

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.

The Joint Venture is preparing to commence a simultaneous seismic inversion study to enhance the definition of the Judith and Moby fields.

Discussions with potential Vic/P47 farminees are continuing.

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:

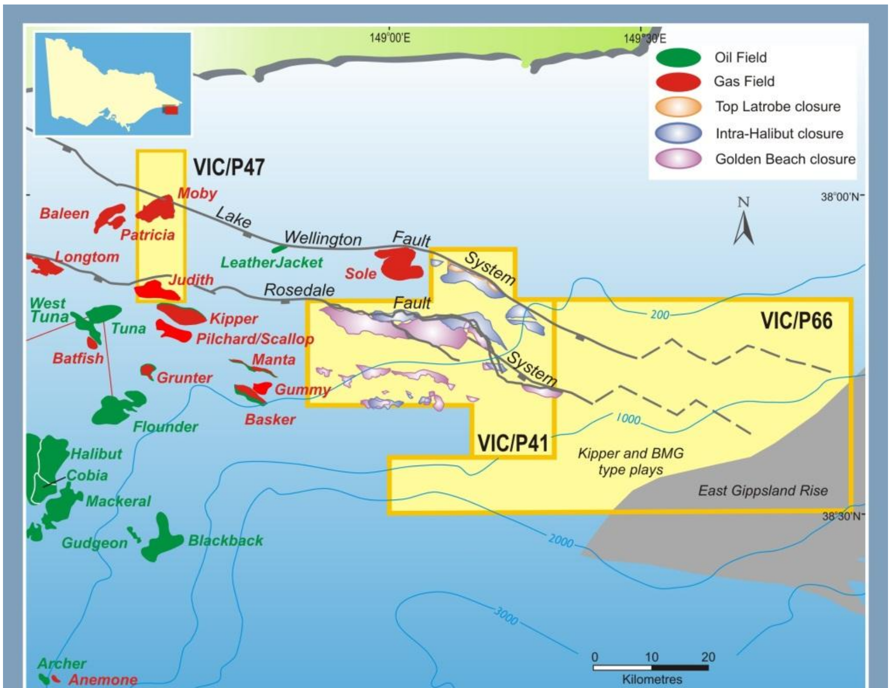
- the eastward extension Rosedale Fault system sets up prospects analogous to the Kipper oil and gas field (development drilling underway ahead of first production scheduled for 2011)
- further south, a second trend extension is analogous to the Basker / Manta / Gummy oil and gas fields (in production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

To further define and 'de-risk' these opportunities two new technical studies have been completed. A simultaneous seismic inversion project (Vic/P41) analysed both 2D and 3D seismic over Rosedale trend prospects and leads (i.e. Kipper analogues) for indications of hydrocarbon anomalies and other factors. This work has demonstrated that the seismic inversion signature of these prospects is exactly the same as that of the Kipper Field, greatly reducing the risk associated with drilling. In addition, a basin modelling project (jointly funded by Vic/P41 and Vic/P66) has defined the nature of hydrocarbon charge in to the east Gippsland area as well as the timing and migration pathways of this charge. It shows the area immediately south of the permits is mature. It is modelled as having generated and expelled hydrocarbons at a time where they could migrate towards the basin margin and be trapped in the structures identified in Vic/P41 and Vic/P66. The interpretation that the gas in the Sole Field is biodegraded themogenic gas further enhances the concept of a "fill/spill chain" through the permit.

Vic/P41 is due for renewal during the September 2011 quarter. The Joint Venture is currently preparing the renewal application for submission to the authorities.

Discussions with potential Vic/P41 and Vic/P66 farminees are continuing.



East Gippsland Play Map

Strategic Energy Resources Limited
Directors' report
30 June 2011

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 for the year ended 30 June 2011.

Directors
The following persons were directors of Strategic Energy Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Mark A Muzzin
Mr Glenister Lamont
Mr Peter Armitage (appointed 28 February 2011)
Mr Kim W McGrath (resigned 14 March 2011)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- Exploration for oil and gas and minerals in Australia
- Continuing care and maintenance of the Uley graphite mine in South Australia while examining development opportunities

Dividends
There were no dividends paid or declared during the current or previous financial year.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $703,491 (30 June 2010: $1,458,053).

The Company's Review of Operations precedes this Directors' Report.

Review of financial position
The net assets of the consolidated entity have decreased by $63,388 from $976,208 to $912,820 as at 30 June 2011 and the consolidated entity's working capital, being current assets less current liabilities was $887,378 compared with $918,327 in 2010. The Company's financial position remains consistent in comparison with the prior year.

The consolidated entity had a net increase in cash during the current financial year directly as a result of proceeds from the sale of interests in mining tenements and proceeds from the issue of shares.

As a result of the above together with the events occurrring after balance date, the Directors believe the Company is in a strong and stable position to review and rationalise its assets and take up any development opportunities.

Significant changes in the state of affairs
On 19 October 2010 the Company completed a placement of 9,400,000 new ordinary shares to sophisticated and professional investors at $0.051 to raise $479,400. There were no costs associated with the issue.

During the financial year 2,900,000 options were exercised at $0.05 (5 cents) per option raising $145,000.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
On 21 July 2011 the Company completed the signing of an Implementation Deed with Mega Graphite Inc, following the receipt of CAN$800,000 for the acquisiton of a demerged subsidiary of Strategic Energy Resources Limited which owns all the rights to the Uley Graphite Project.

On 5 September 2011, the Company issued 1,100,000 ordinary shares for the exercise of 1,100,000 options at an exercise price of $0.05 (5 cents) raising $55,000.

No other matter or circumstance has arisen since 30 June 2011 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.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
The economic entity holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. To the best of the Directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' report.

Information on directors

Name:	Mr Glenister Lamont
Title:	Non-Executive Chairman
Qualifications:	BEng Mining (Hons), MBA (IMD Switzerland) FAICD, FFin MAusIMM
Experience and expertise:	Mr Lamont is a professional non-executive Director. Recent roles include Managing Director and consultant for a range of resource companies. Previously, as a GM with Ashton Mining, he led strategy and commercial implementation of business development initiatives and managed all aspects of investor and corporate affairs. Prior to that, as an Executive Director at the leading European investment bank UBS Warburg, he conducted financial, technical and strategic evaluation of mining companies and participated in a wide range of corporate transactions. He has international mining experience in base metals, gold, coal and other commodities that has included experience as a mining engineer with Preussag in Germany as well as a rock mechanics engineer and mining engineer in South Africa for Goldfields of South Africa.
Other current directorships:	Golden Rim Resources Limited
Former directorships (in the last 3 years):	Top End Uranium Limited (15 May 2007 to 20 November 2008) North Australian Diamonds Limited (24 May 2005 to 15 September 2008)
Special responsibilities:	Member of the Audit & Risk Management Committee.
Interests in shares:	100,000 ordinary shares
Interests in options:	None

Name:	Mr Mark M Muzzin
Title:	Managing Director
Qualifications:	B.A.
Experience and expertise:	Mr Muzzin has had over 20 years of commercial experience and holds a B.A. degree from Latrobe University, Melbourne. His career commenced in the mid eighties for a London stock broking firm and he has consulted for two of the major banks in Australia in the share custodian area. He has been involved in capital raising activities for resource companies in Australia and has consulted to various oil/gas and minerals companies. Mr Muzzin is a Director of Fleurieu Limited which is seeking access from the Commonwealth into the Cultana Training Area in South Australia to undertake minerals exploration. He is a Director of one US (OTCBB) quoted company and is a Director of a number of Australian public and private companies. Mr Muzzin is a Member of the Petroleum Exploration Society of Australia.
Other current directorships:	Ishine International Resources Ltd
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	3,500,000 fully paid ordinary shares
Interests in options:	10,000,000 unlisted options

Name:	Mr Peter Armitage (appointed 28 February 2011)
Title:	Non-Executive Director
Qualifications:	FCA FAICD
Experience and expertise:	Peter Armitage began his professional career over 40 years ago with an international accounting firm, specialising in start-ups and work-outs. After qualification he was invited into partnership of a national firm that he maintained until he set up his own practice in 1978, of which he remains principal. Since the early 1980's he has been a Director of a number of listed exploration companies in both Australia and New Zealand concentrating on fiscal aspects of project modelling and procurement of capital. Recently he has been responsible for a number of successful IPOs supervising Due Diligence and Corporate Governance matters as well as attending to all compliance matters. Mr Armitage has also been involved in various consulting assignments in Peoples Republic of China, Canada, USA, Hong Kong, and UK for Fortune 500 companies.
Other current directorships:	Oroya Mining Limited
Former directorships (in the last 3 years):	Resource Base Limited (resigned 19 December 2008)
Special responsibilities:	Chairman of the Audit & Risk Management Committee
Interests in shares:	200,560 fully paid ordinary shares
Interests in options:	None

Name:	Mr Kim W McGrath (resigned 14 March 2011)
Title:	Non-Executive Chairman
Qualifications:	BEc(Hons) LLB FAICD FTIA CPA
Experience and expertise:	Mr McGrath is an internationally experienced resources finance and investment banking executive. He is the Managing Director of Delta Corporate Finance Pty Limited a specialist advisory group based in Sydney with active business interests in Australia and the UK. His prior positions in Australia have included legal roles with Comalco and ICL, General Counsel and Company Secretary of Bank of America Australia, General Counsel with Bell Resources responsible for negotiating international lines of finance and business acquisitions, and in strategy and development as General Manager, Strategy and Planning with Industrial Equity. During the 1990's Mr McGrath was based in London and worked on the restructure of companies in eastern Europe and particularly on major operations in CIS metals and oil trading, and associated financing in both London and Geneva.
Other current directorships:	Not applicable
Former directorships (in the last 3 years):	Not applicable
Special responsibilities:	Not applicable
Interests in shares:	Not applicable
Interests in options:	Not applicable

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary
Ms Melanie Leydin is a Chartered Accountant and is a Registered Company Auditor.

She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

In the course of her practice she audits listed and unlisted public companies involved in the resources industry. Her practice also involves outsourced company secretarial and accounting services to public companies in the resources sector. This involves preparation of statutory financial statements, annual reports, half year reports, stock exchange announcements and quarterly ASX reporting and other statutory requirements.

Ms Melanie Leydin has 19 years experience in the accounting profession and is a director and company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Stock Exchange.

Meetings of directors
The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2011, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mr K McGrath	4	5	1	2
Mr M Muzzin	8	8	-	-
Mr G Lamont	8	8	2	2
Mr P Armitage	3	3	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:
A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information

A Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company.

Alignment to shareholders' interests:
- focuses on sustained growth in shareholder wealth, consisting of growth in share price and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers value
- attracts and retains high calibre executives

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

For additional duties in assisting management beyond the normal time commitments of non-executive directors, non-executive directors are paid a per diem rate, with the amounts approved by other directors.

ASX Lisiting rules requires that the aggregate non-executive directors remuneration shall be determing periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2009, where the shareholders approved an aggregate remuneration of $300,000.

Executive remuneration
The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has three components:
- base pay and non-monetary benefits
- share-based payments
- other remuneration such as long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

The long-term incentives ('LTI') includes long service leave and share-based payments

Consolidated entity performance and link to remuneration
The remuneration of the Directors and executives are not linked to the performance, share price or earnings of the conolidated entity.

The Remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. The achievement of this aim has been through the issue of options to Directors and executives to encourage the alignment of personal and shareholder interests.

Non-execuitve Directors and executives have been granted options over shares in previous periods. The receipients of options are responsible for growing the entity and increasing shareholder value. The options provide an incentive to the recipients to remain with the entity and to continue to enhance the group's value.

Strategic Energy Resources Limited
Directors' report
30 June 2011

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of Strategic Energy Resources Limited are set out in the following tables.

2011	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Mr G Lamont ^	59,685	-	-	5,372	-	-	65,057
Mr K McGrath **	47,446	-	-	4,270	-	-	51,716
Mr P Armitage *	15,000	-	-	1,350	-	-	16,350
Executive Directors:							
Mr M Muzzin ****	245,649	-	-	21,021	9,421	23,315	299,406
Other Key Management Personnel:							
Ms M Leydin ***	101,000	-	-	-	-	-	101,000
	468,780	-	-	32,013	9,421	23,315	533,529

* Mr P Armitage was appointed as a director on 28 February 2011
** Mr K McGrath resigned as a director on 14 March 2011
*** Fees paid to Leydin Freyer Corporate Pty Ltd in respect of Company Secretarial and Accounting services

**** The amounts disclosed as remuneration includes annual leave provisions accrued during the financial year.
^ The amount includes additional per diem fees paid for additional services in assisting management

2010	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Options received as compensation $	Total $
Non-Executive Directors:							
Mr K McGrath	66,000	-	-	5,940	-	-	71,940
Mr G Lamont	40,000	-	-	3,600	-	-	43,600
Executive Directors:							
Mr M Muzzin	224,587	-	-	20,213	-	107,185	351,985
Other Key Management Personnel:							
Ms M Leydin *	96,000	-	-	-	-	-	96,000
	426,587	-	-	29,753	-	107,185	563,525

* Fees paid to Leydin Freyer Corporate Pty Ltd in respect of Company Secretarial and Accounting services

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2011	Fixed remuneration 2010	At risk - STI 2011	At risk - STI 2010	At risk - LTI 2011	At risk - LTI 2010
Executive Directors:						
Mr M Muzzin	92%	70%	- %	- %	8%	30%

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Mark M Muzzin
Title:	Managing Director
Agreement commenced:	1 January 2010
Term of agreement:	Contract is for a period of 3 years and is then subject to an annual review by mutual agreement.
Details:	Mr Muzzin may resign and thus terminate the contract by giving three (3) months notice.The Company may terminate the contract by giving six (6) months notice in writing or payment in lieu thereof, or a combination of notice and payment in lieu.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

D Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2011.

Options
The terms and conditions of each grant of options affecting remuneration in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
29 December 2009*	31 December 2010	30 June 2014	$0.06	$0.010
29 December 2009*	31 December 2010	30 June 2014	$0.08	$0.009

* The share based compensation for Mr Mark Muzzin for the current year relates to options issued in the 2010 financial year

Options granted carry no dividend or voting rights.

Details of options over ordinary shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2011 are set out below:

	Number of options granted during the year		Number of options vested during the year	
Name	2011	2010	2011	2010
Mr M Muzzin	-	10,000,000	5,000,000	5,000,000

E Additional information

The earnings of the consolidated entity for the five years to 30 June 2011 are summarised below:

	2007 $	2008 $	2009 $	2010 $	2011 $
Revenue	1,250,346	616,802	119,753	82,623	1,005,736
Net profit/(loss) before tax	(1,520,680)	(3,221,315)	(2,071,170)	(1,458,053)	(703,491)
Net profit/(loss) after tax	(1,520,680)	(3,221,315)	(2,071,170)	(1,458,053)	(703,491)

The factors that are considered to affect total shareholders return (TSR) are summarised below:

	2007	2008	2009	2010	2011
Share price at start of year	0.05	0.04	0.03	0.01	0.02
Share price at end of year	0.04	0.03	0.01	0.02	0.13
Basic earnings per share (cents per share)	(0.61)	(0.83)	(0.72)	(0.47)	(0.21)
Diluted earnings per share (cents per share)	(0.61)	(0.83)	(0.72)	(0.47)	(0.21)

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Strategic Energy Resources Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
12 December 2007	12 December 2012	$0.10	2,000,000
9 May 2009	9 May 2013	$0.05	4,000,000
29 December 2009	30 June 2014	$0.04	3,000,000
29 December 2009	30 June 2014	$0.05	2,000,000
29 December 2009	30 June 2014	$0.06	2,500,000
29 December 2009	30 June 2014	$0.08	2,500,000
			16,000,000

Shares issued on the exercise of options

The following ordinary shares of Strategic Energy Resources Limited were issued during the year ended 30 June 2011 on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
9 May 2008	$0.05	2,900,000

Indemnity and insurance of officers

The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former audit partners of BDO Audit (NSW-VIC) Pty Ltd

There are no officers of the company who are former audit partners of BDO Audit (NSW-VIC) Pty Ltd.

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 on the following page.

Auditor

BDO Audit (NSW-VIC) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Glenister Lamont

Glenister Lamont
Chairman

28 September 2011
Melbourne

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DECLARATION OF INDEPENDENCE BY NICHOLAS BURNE TO THE DIRECTORS OF STRATEGIC ENERGY RESOURCES LIMITED

As lead auditor of Strategic Energy Resources Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Strategic Energy Resources Limited and the entities it controlled during the period.

Nicholas E. Burne
Director

BDO Audit (NSW-VIC) Pty Ltd

Melbourne, Victoria

Dated this 28th Day of September 2011

Strategic Energy Resources Limited
Financial report
For the year ended 30 June 2011

Contents

General information

The financial report covers Strategic Energy Resources Limited as a consolidated entity consisting of Strategic Energy Resources Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Strategic Energy Resources Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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 are:

Registered office	*Principal place of business*
Suite 304, 22 St Kilda Road	Level 1, 500 Collins Street
ST KILDA VIC 3182	MELBOURNE VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 28 September 2011. The directors have the power to amend and reissue the financial report.

Strategic Energy Resources Limited
Statement of comprehensive income
For the year ended 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Revenue	4	78,736	57,498
Other income	5	927,000	25,125
Expenses			
Employee benefits expense		(207,416)	(278,799)
Depreciation	6	(18,866)	(15,996)
Corporate costs		(118,245)	(99,876)
Occupancy		(30,449)	(71,484)
Consulting fees		(182,122)	(139,110)
Legal fees		(145,515)	(39,208)
Insurance costs		(23,251)	(27,083)
Share based payments		(23,315)	(107,185)
Change in market value of FVTPL investment		4,981	16,543
Exploration expenditure written off		(840,633)	(689,379)
Other expenses		(124,396)	(89,099)
Loss before income tax expense		(703,491)	(1,458,053)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Strategic Energy Resources Limited		(703,491)	(1,458,053)
Other comprehensive income			
Loss on the revaluation of available-for-sale financial assets, net of tax		-	(9,800)
Other comprehensive income for the year, net of tax		-	(9,800)
Total comprehensive income for the year attributable to the owners of Strategic Energy Resources Limited		(703,491)	(1,467,853)
		Cents	**Cents**
Basic earnings per share	29	(0.21)	(0.47)
Diluted earnings per share	29	(0.21)	(0.47)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Strategic Energy Resources Limited
Statement of financial position
As at 30 June 2011

	Note	Consolidated 2011 $	2010 $
Assets			
Current assets			
Cash and cash equivalents	8	1,113,675	1,028,087
Trade and other receivables	9	76,939	25,734
Financial assets at fair value through profit or loss	10	21,345	16,365
Other	11	13,105	613
Total current assets		1,225,064	1,070,799
Non-current assets			
Property, plant and equipment	12	19,015	37,881
Other	13	20,000	20,000
Total non-current assets		39,015	57,881
Total assets		1,264,079	1,128,680
Liabilities			
Current liabilities			
Trade and other payables	14	307,552	130,043
Employee benefits	15	30,134	22,429
Total current liabilities		337,686	152,472
Non-current liabilities			
Employee benefits	16	13,573	-
Total non-current liabilities		13,573	-
Total liabilities		351,259	152,472
Net assets		912,820	976,208
Equity			
Contributed equity	17	27,770,645	27,089,912
Reserves	18	310,842	351,472
Accumulated losses		(27,168,667)	(26,465,176)
Total equity		912,820	976,208

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 year ended 30 June 2011

	Contributed equity $	Reserves $	Accumulated losses $	Total equity $
Consolidated				
Balance at 1 July 2009	26,268,925	343,787	(25,096,823)	1,515,889
Other comprehensive income for the year, net of tax	-	(9,800)	-	(9,800)
Loss after income tax expense for the year	-	-	(1,458,053)	(1,458,053)
Total comprehensive income for the year	-	(9,800)	(1,458,053)	(1,467,853)
Transactions with owners in their capacity as owners:				
Share-based payments	-	107,185	-	107,185
Issue of shares	825,000		-	825,000
Costs of share issue	(4,013)	-	-	(4,013)
Options expired	-	(89,700)	89,700	-
Balance at 30 June 2010	27,089,912	351,472	(26,465,176)	976,208

	Contributed equity $	Reserves $	Accumulated losses $	Total equity $
Consolidated				
Balance at 1 July 2010	27,089,912	351,472	(26,465,176)	976,208
Other comprehensive income for the year, net of tax	-	-	-	-
Loss after income tax expense for the year	-	-	(703,491)	(703,491)
Total comprehensive income for the year	-	-	(703,491)	(703,491)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	616,788	-	-	616,788
Share-based payments	-	23,315	-	23,315
Conversion of options	63,945	(63,945)	-	-
Balance at 30 June 2011	27,770,645	310,842	(27,168,667)	912,820

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 year ended 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,535,704)	(1,339,359)
Interest received		77,504	63,823
Rental income		-	12,125
Net cash used in operating activities	28	(1,458,200)	(1,263,411)
Cash flows from investing activities			
Proceeds from sale of investments		-	65,849
Proceeds from sale of interest in mining tenement		927,000	13,000
Net cash from investing activities		927,000	78,849
Cash flows from financing activities			
Proceeds from issue of shares	17	624,400	825,000
Share issue transaction costs		(7,612)	(4,013)
Refund of bank guarantee		-	25,649
Net cash from financing activities		616,788	846,636
Net increase/(decrease) in cash and cash equivalents		85,588	(337,926)
Cash and cash equivalents at the beginning of the financial year		1,028,087	1,366,013
Cash and cash equivalents at the end of the financial year	8	1,113,675	1,028,087

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern
The financial report has been prepared on the going concern basis, which contemplates of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the Company is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to monitor the ongoing funding requirements of the Company. The Directors are confident that sufficient funds can be secured if required by a combination of capital raisings, sale of assets or farm-outs to enable the Company to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

Note 1. Significant accounting policies (continued)

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Strategic Energy Resources Limited ('company' or 'parent entity') as at 30 June 2011 and the results of all subsidiaries for the year then ended. Strategic Energy Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 1. Significant accounting policies (continued)

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets
Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Note 1. Significant accounting policies (continued)

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mis-match. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been had the impairment not been recognised and is reversed to profit or loss.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 1. Significant accounting policies (continued)

Investments in Joint Ventures
A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accruals basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The Group's interests in assets where the Group does not have joint control are accounted for in accordance with the substance of the Group's interest. Where such arrangements give rise to an undivided interest in the individual assets and liabilities of the joint venture, the Group recognises its undivided interest in each asset and liability and classifies and presents those items according to their nature

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Exploration and evaluation
Exploration and evaluation expenditures in relation to each separate area of interest are accumulated and expensed at the end of each reporting period.

Exploration and evaluation expenditure are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Mine properties
Mine properties represent the accumulation of all exploration, evaluation, and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which a decision to commence mining of a mineral resource has been taken.

Where further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property, only when substantial economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount, that excess is fully provided against in the financial year in which this is determined. The expected net cash flows included in determining recoverable amount are discounted to their present value.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave
The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 1. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Contributed equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Strategic Energy Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 1. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 1. Significant accounting policies (continued)

Financial Liabilities and equity instruments issued by the Group

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue

Financial guarantee contract liabilities
Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:
• the amount of the obligation under the contract, as determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets; and
• the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
• it has been acquired principally for the purpose of repurchasing it in the near term; or
• on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
• it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in note 2.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2011. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 2009-12 Amendments to Australian Accounting Standards
These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 2010-5 Amendments to Australian Accounting Standards
These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 124 Related Party Disclosures (December 2009)
This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. The adoption of this standard from 1 July 2011 will not have a material impact on the consolidated entity.

IAS 1 (AASB 101) Presentation of Financial Statements (Revised)
This revised standard is applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be ‘recycled’ to the profit or loss. The change provides clarity about the nature of items presented as other comprehensive income and their future impact. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity’s presentation of its statement of comprehensive income.

AASB 1054 Australian Additional Disclosures
This Standard is applicable to annual reporting periods beginning on or after 1 July 2011. The standard sets out the Australian-specific disclosures, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel (KMP). The adoption of these amendments from 1 July 2013 will remove the duplication of relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation and AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements
AASB 2011-5 is applicable to annual reporting periods beginning on or after 1 July 2011 and AASB 2011-6 on or after 1 July 2013. These amendments extend relief from consolidation, the equity method and proportionate consolidation where the ultimate or intermediate parent applies not-for-profit Aus paragraphs in Australian IFRSs as adopted in Australia, or Australian Accounting Standards – Reduced Disclosure Requirements (RDR). The adoption of these amendments from 1 July 2011 and 1 July 2013 respectively will not have impact on the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value and hierarchy of financial instruments
The consolidated entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Recognition of deferred tax assets
Judgement is required in determining whether deferred tax assets should be recognised on the balance sheet. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

Long service leave provision
As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into 2 operating segments: Exploration for Metals and Minerals and Exploration for Oil and Gas. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM is on at least a monthly basis.

The table below reconciles segment profit and loss to the consolidated profit and loss through the unallocated column.

Note 3. Operating segments (continued)

Operating segment information

2011	Exploration for metals and minerals $	Exploration Gas $	Intersegment eliminations/ unallocated $	Consolidated $
Revenue				
Other income		927,000	78,736	1,005,736
Total revenue	-	927,000	78,736	1,005,736
Segment result	-	927,000		927,000
Depreciation and amortisation	(13,544)	(5,321)		(18,865)
Exploration costs write off	(684,184)	(156,449)		(840,633)
Interest received	-		78,736	78,736
Corporate costs	-	-	(849,729)	(849,729)
Profit/(loss) before income tax expense	(697,728)	765,230	(770,993)	(703,491)
Income tax expense				-
Loss after income tax expense				(703,491)
Assets				
Segment assets	45,217	825	-	46,042
Unallocated assets:				
Cash and cash equivalents				1,113,676
Corporate assets				104,361
Total assets				1,264,079
Liabilities				
Segment liabilities	102,961	58,826	-	161,787
Unallocated liabilities:				
Trade Creditors				108,278
Corporate liabilities				81,194
Total liabilities				351,259

Note 3. Operating segments (continued)

2010	Exploration for metals and Minerals $	Exploration Gas $	Intersegment eliminations/ unallocated $	Consolidated $
Revenue				
Other income	13,000	-	69,623	82,623
Total revenue	13,000	-	69,623	82,623
Segment result	13,000	-	12,125	25,125
Depreciation and amortisation	(15,996)	(5,328)		(21,324)
Exploration costs write off	(460,364)	(229,015)	-	(689,379)
Interest received	-	-	57,498	57,498
Corporate costs	-	-	(829,973)	(829,973)
Loss before income tax expense	(463,360)	(234,343)	(760,350)	(1,458,053)
Income tax expense				-
Loss after income tax expense				(1,458,053)
Assets				
Segment assets	40,328	13,521	-	53,849
Unallocated assets:				
Cash and cash equivalents				1,028,087
Corporate costs				46,744
Total assets				1,128,680
Liabilities				
Segment liabilities	-	67,319	-	67,319
Unallocated liabilities:				
Corporate costs				85,153
Total liabilities				152,472

Note 4. Revenue

	Consolidated 2011 $	**Consolidated 2010 $**
Other revenue		
Interest revenue	78,736	57,498
Revenue	78,736	57,498

Note 5. Other income

	Consolidated 2011 $	Consolidated 2010 $
Rental fees recharged	-	12,125
Sales of tenements	927,000	13,000
Other income	927,000	25,125

Note 6. Expenses

	Consolidated 2011 $	Consolidated 2010 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	(18,866)	(15,996)
Exploration expenditure written off	(795,954)	(689,379)
Operating lease payments	-	51,374
Gain / (loss) on fair value adjustment to be held for trading investments	4,981	16,543
Defined contribution superannuation expense	15,344	20,627

Note 7. Income tax expense

	Consolidated	
	2011	**2010**
	$	**$**
Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	(703,491)	(1,458,053)
Tax at the Australian tax rate of 30%	(211,047)	(437,416)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	6,995	32,156
Other permanent differences	203	-
	(203,849)	(405,260)
Temporary differences not taken up as a benefit	(15,099)	(1,245)
Income tax losses not taken up as benefit	218,948	406,505
Income tax expense	-	-
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	32,228,842	31,549,340
Potential tax benefit @ 30%	9,668,653	9,464,802

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

	Consolidated	
	2011	**2010**
	$	**$**
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	9,783,383	9,564,435
Temporary differences	(114,730)	(99,633)
Total deferred tax assets not recognised	9,668,653	9,464,802

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 8. Current assets - cash and cash equivalents

	Consolidated 2011 $	Consolidated 2010 $
Cash on hand	381	-
Cash at bank	99,332	208,087
Cash on deposit	1,013,962	820,000
	1,113,675	1,028,087

Cash on deposit represents short term bank deposits.

Note 9. Current assets - trade and other receivables

	Consolidated 2011 $	Consolidated 2010 $
Trade receivables	34,229	6,118
Other Receivables	6,611	9,129
GST receivable	36,099	10,487
	76,939	25,734

Note 10. Current assets - financial assets at fair value through profit or loss

	Consolidated 2011 $	Consolidated 2010 $
Ordinary shares - designated at fair value through profit or loss	21,345	16,365

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

	2011	2010
Opening fair value	16,365	80,417
Disposals	-	(80,595)
Revaluation increments	4,980	16,543
Closing fair value	21,345	16,365

Refer to note 20 for detailed information on financial instruments.

Note 11. Current assets - other

	Consolidated 2011 $	Consolidated 2010 $
Prepayments	13,105	613

Note 12. Non-current assets - property, plant and equipment

	Consolidated 2011 $	Consolidated 2010 $
Plant and equipment - at cost	233,113	196,257
Less: Accumulated depreciation	(214,098)	(158,376)
	19,015	37,881
Mine properties & capital works - at cost	4,903,770	4,903,770
Less: Accumulated depreciation	(4,903,770)	(4,903,770)
	-	-
	19,015	37,881

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

	Plant & Equipment $	Total $
Consolidated		
Balance at 1 July 2009	59,205	59,205
Depreciation expense	(21,324)	(21,324)
Balance at 30 June 2010	37,881	37,881
Depreciation expense	(18,866)	(18,866)
Balance at 30 June 2011	19,015	19,015

Depreciation expense of $5,322 (2010: $5,328) has been included in exploration expense written off in the statement of comprehensive income as it relates to exploration assets at the Uley Graphite Mine and depreciation expense for the other assets is therefore shown as $13,544 (2010: $15,996).

Note 13. Non-current assets - other

	Consolidated 2011 $	Consolidated 2010 $
Bank guarantee	20,000	20,000

Note 14. Current liabilities - trade and other payables

	Consolidated 2011 $	Consolidated 2010 $
Trade payables	220,065	67,319
Sundry payables and accrued expenses	87,487	62,724
	307,552	130,043

Refer to note 20 for detailed information on financial instruments.

The average credit period on purchases is 30 days. No interest is charged on the trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Note 15. Current liabilities - employee benefits

	Consolidated 2011 $	Consolidated 2010 $
Employee benefits	30,134	22,429

Note 16. Non-current liabilities - employee benefits

	Consolidated 2011 $	Consolidated 2010 $
Employee benefits	13,573	-

Note 17. Equity - contributed

	Consolidated 2011 Shares	Consolidated 2010 Shares	Consolidated 2011 $	Consolidated 2010 $
Ordinary shares - fully paid	333,522,501	321,222,501	27,770,645	27,089,912

Note 17. Equity - contributed (continued)

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2009	288,222,501		26,268,925
Issue of shares		33,000,000		825,000
Less: Costs of capital raising		-		(4,013)
Balance	30 June 2010	321,222,501		27,089,912
Issue of shares	19 October 2010	9,400,000	$0.05	479,400
Exercise of options	27 January 2011	400,000	$0.05	20,000
Exercise of options	4 February 2011	2,000,000	$0.05	100,000
Exercise of options	13 May 2011	500,000	$0.05	25,000
Conversion of options				63,945
Less: Costs of capital raising				(7,612)
Balance	30 June 2011	333,522,501		27,770,645

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.

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.

Options
For further information in relation to unissued ordinary shares of Strategic Energy Resources Limited under option, refer to the Directors' report and Note 29.

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2011 and no dividends are expected to be paid in 2012 out of operating profits to shareholders. Dividends may be paid to shareholders as a result of the potential Transfer Scheme in relation to the Mega Graphite Merger Implementation Deed.

There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via equity or joint ventures with other companies.

The consolidated entity is not subject to any externally imposed capital requirements.

The capital risk management policy remains unchanged from the 30 June 2010 Annual Report.

Note 18. Equity - reserves

	Consolidated 2011 $	Consolidated 2010 $
Share-based payments reserve	310,842	351,472

	Available-for-sale $	Share Based reserve $	Total $
Consolidated			
Balance at 1 July 2009	9,800	333,987	343,787
Options lapsed	-	(89,700)	(89,700)
Share-based payments	-	107,185	107,185
Net unrealised gains	(9,800)	-	(9,800)
Balance at 30 June 2010	-	351,472	351,472
Share-based payments	-	23,315	23,315
Conversion of options		(63,945)	(63,945)
Balance at 30 June 2011	-	310,842	310,842

Available-for-sale reserve
The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services. Further information on share based payments is set out in Note 30.

Note 19. Equity - dividends

There were no dividends paid or declared during the current or previous financial year.

Note 20. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Board. The policies employed to mitigate risk include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. The Board identifies risk and evaluates the effectiveness of its responses.

Interest rate risk

The consolidated entity's only exposure to interest rate risk is in relation to deposits held. Deposits are held with reputable banking financial institutions.

Note 20. Financial instruments (continued)

As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

	2011		2010	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Consolidated				
Cash on deposit	4.85	1,113,675	3.66	1,028,087
Net exposure to cash flow interest rate risk		1,113,675		1,028,087

The consolidated entity is not exposed to signficant interest rate risk.

An increase/decrease in interest rates of 30% or 1.46 basis point shift would have a favourable/adverse affect on profit before tax of $16,204 (30 June 2010: $15,051). The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The consolidated entity's working capital for the financial year, being current assets less current liabilities was $887,378 (2010: $918,327). During the period the consolidated entity had positive net cash flows of $85,588 (2010: negative $337,926). Based on this the directors are satisfied that the consolidated entity will have sufficient funds to pay its debts as and when they fall due.

Fair value of financial instruments
The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Consolidated - 2011	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Options in Oil Basins Ltd	21,345	-	-	21,345
Total assets	21,345	-	-	21,345

Note 20. Financial instruments (continued)

Consolidated - 2010	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Options in Oil Basins Ltd	16,365	-	-	16,365
Total assets	16,365	-	-	16,365

There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 21. Key management personnel disclosures

Directors
The following persons were directors of Strategic Energy Resources Limited during the financial year:

Mr G Lamont (Non-Execuive Chairman)
Mr M Muzzin (Executive Director)
Mr K McGrath (Non-Executive Chairman) (resigned 14 March 2011)
Mr P Armitage (Non-Executive Director) (appointed 28 February 2011)

Other key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Ms M Leydin (Company Secretary)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2011 **$**	**2010** **$**
Short-term employee benefits	468,780	426,587
Post-employment benefits	32,013	29,753
Long-term benefits	9,421	-
Share-based payments	23,315	107,185
	533,529	563,525

Note 21. Key management personnel disclosures (continued)

Shareholding
The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2011	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr M Muzzin	3,000,000	-	-	-	3,000,000
Mr G Lamont	-	-	100,000	-	100,000
Mr P Armitage*	-	-	200,560	-	200,560
Mr K McGrath **	1,500,000	-	-	(1,500,000)	-
	4,500,000	-	300,560	(1,500,000)	3,300,560

* Mr P Armitage was appointed as a director on 28 February 2011.
** Mr K McGrath resigned as a director on 14 March 2011.

No other key management personnel held shares during the 2011 financial year.

2010	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr K McGrath	1,500,000	-	-	-	1,500,000
Mr M Muzzin	2,000,000	-	1,000,000	-	3,000,000
	3,500,000	-	1,000,000	-	4,500,000

* Shares purchased via market trades

No other key management personnel held shares during the 2010 financial year.

Option holding
The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2011	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mr M Muzzin	10,000,000	-	-	-	10,000,000
	10,000,000	-	-	-	10,000,000

No other key management personnel held options during the 2011 financial year.

2010	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mr M Muzzin	-	10,000,000	-	-	10,000,000
	-	10,000,000	-	-	10,000,000

No other key management personnel held options during the 2010 financial year.

Note 21. Key management personnel disclosures (continued)

Related party transactions
Related party transactions are set out in note 24.

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit (NSW-VIC) Pty Ltd, the auditor of the company, and its related practices:

	Consolidated	
	2011	**2010**
	$	**$**
Audit services - BDO Audit (NSW-VIC) Pty Ltd		
Audit or review of the financial report	36,455	35,547

There were no non-audit services undertaken during the 2011 and 2010 financial years.

Note 23. Commitments for expenditure

	Consolidated	
	2011	**2010**
	$	**$**
Exploration Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	784,000	347,000
One to five years	418,000	561,000
More than five years	8,560,000	8,450,000
	9,762,000	9,358,000

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

Within the oil and gas and minerals industries 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 tenementsalthogether, and as a result obligations will be significantly reduced or extinguished altogether. During prior years the Company concluded a number of farm-out agreements which resulted in the Company only being responsible for a share of the work programs. The farm-in partners also expended funds on the permits during the year which resulted in work programs for certain years being met.

Note 24. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 21 and the remuneration report in the directors' report.

Transactions with related parties
There were no transactions with related parties during the financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the reporting date.

Loans to/from related parties
Transactions with Directors or Director Related Entities

Mr M Muzzin is a Non-executive Director of Ishine Resources Limited (ISH), a joint venture partner on the Falcon Bridge Nickel Project. ISH can earn up to 70% interest in the Joint Venture by spending $3 million.

Mr K McGrath (resigned on 11 March 2011) is a Executive Chairman and a shareholder in Oil Basins Limited (OBL). During the pevious financial reporting period SER sold shares and options in OBL at market prices on the ASX. SER still holds OBL options as at the date of this report.

During the financial year U Energy Pty Ltd settled the acquisiton of Minotaur Exploration Limited's interests in EL 3537 - Cultana (25%) and EL 3538 - Myall Creek (50%). SER holds the balance of the interests in these tenements. At the time of aquisition Mr M Muzzin was a Director of U Energy Pty Ltd, but has since resigned, however he remains a Director and significant shareholder of its parent Company, Fleurieu Mines NL. Following the assignment of minotaur's interest to U Energy Pty Ltd, SER has entered into new joint venture agreements for both Cultana and Myall Creek.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2011	**2010**
	$	**$**
Loss after income tax	(694,648)	(1,461,329)
Total comprehensive income	(694,648)	(1,461,329)

Note 25. Parent entity information (continued)

Statement of financial position

	Parent 2011 $	Parent 2010 $
Total current assets	1,216,887	1,059,103
Total assets	1,244,105	1,099,865
Total current liabilities	337,686	152,472
Total liabilities	351,259	152,472
Equity		
Contributed equity	27,770,645	27,089,912
Reserves	310,842	351,472
Accumulated losses	(27,188,641)	(26,493,991)
Total equity	892,846	947,393

Contingent liabilities
The parent entity had no contingent liabilities at 30 June 2011 and 30 June 2010.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at 30 June 2011 and 30 June 2010.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment.
- Investments in associates are accounted for at cost, less any impairment.

Note 26. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding 2011 %	Equity holding 2010 %
Tarcoola Gold Limited	Australia	100.00	100.00
Strategic Energy Graphite Pty Ltd	Australia	100.00	100.00
Strategic Nickel Pty Ltd	Australia	100.00	100.00
Eagle Oil & Gas Pty Ltd	Australia	100.00	100.00

Note 27. Events occurring after the reporting date

On 21 July 2011 the Company completed the signing of an Implementation Deed with Mega Graphite Inc, following the receipt of CAN$800,000 for the acquisiton of a demerged subsidiary of Strategic Energy Resources Limited which owns all the rights to the Uley Graphite Project.

On 5 September 2011, the Company issued 1,100,000 ordinary shares for the exercise of 1,100,000 options at an exercise price of $0.05 (5 cents) raising $55,000.

No other matter or circumstance has arisen since 30 June 2011 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 28. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2011 $	2010 $
Loss after income tax expense for the year	(703,491)	(1,458,053)
Adjustments for:		
Depreciation and amortisation	18,866	21,324
Share-based payments	23,315	107,185
Fair value adjustments on investments	4,980	(16,543)
Exploration costs written off	(3,750)	(9,868)
Loss on sale of investments	-	4,946
Gain on sale of interests in mining tenements	(927,000)	(13,000)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(57,417)	7,806
(Increase)/decrease in prepayments	(12,490)	10,416
Increase in trade and other payables	177,509	59,947
Increase in employee benefits	21,278	22,429
Net cash used in operating activities	(1,458,200)	(1,263,411)

Note 29. Earnings per share

	Consolidated 2011 $	Consolidated 2010 $
Loss after income tax attributable to the owners of Strategic Energy Resources Limited	(703,491)	(1,458,053)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	328,798,391	308,926,611
Weighted average number of ordinary shares used in calculating diluted earnings per share	328,798,391	308,926,611
	Cents	**Cents**
Basic earnings per share	(0.21)	(0.47)
Diluted earnings per share	(0.21)	(0.47)

Diluted Earnings Per Share

The rights of options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights of options are non-dilutive as the Company generated a loss during the 2010 and 2011 financial years.

Note 30. Share-based payments

Set out below are summaries of options movement during the year:

2011

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
12/12/2007	12/12/2012	$0.10	2,000,000	-	-	-	2,000,000
09/05/2008*	09/05/2013	$0.05	8,000,000	-	(2,900,000)	-	5,100,000
24/12/2009	30/06/2014	$0.04	3,000,000	-	-	-	3,000,000
24/12/2009	30/06/2014	$0.05	2,000,000	-	-	-	2,000,000
24/12/2009	30/06/2014	$0.06	2,500,000	-	-	-	2,500,000
24/12/2009	30/06/2014	$0.08	2,500,000	-	-	-	2,500,000
			20,000,000	-	(2,900,000)	-	17,100,000

Note 30. Share-based payments (continued)

2010

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
12/12/2007	12/12/2012	$0.10	2,000,000	-	-	-	2,000,000
09/05/2008	09/05/2013	$0.05	8,000,000	-	-	-	8,000,000
01/01/2008	30/06/2010	$0.15	3,250,000	-	-	(3,250,000)	-
24/12/2009	30/06/2014	$0.04	-	3,000,000	-	-	3,000,000
24/12/2009	30/06/2014	$0.05	-	2,000,000	-	-	2,000,000
24/12/2009	30/06/2014	$0.06	-	2,500,000	-	-	2,500,000
24/12/2009	30/06/2014	$0.08	-	2,500,000	-	-	2,500,000
			13,250,000	10,000,000	-	(3,250,000)	20,000,000

* On 5 September 2011 a further 1,100,000 options were exercised.

For the options granted during previous financial years, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
12/12/2007	12/12/2012	$0.08	$0.10	150.00%	0.00%	6.50%	$0.061
09/05/2008	09/05/2013	$0.03	$0.05	150.00%	0.00%	6.50%	$0.022
01/01/2008	30/06/2010	$0.05	$0.15	75.00%	0.00%	5.26%	$0.028
24/12/2009	30/06/2014	$0.02	$0.04	75.00%	0.00%	5.23%	$0.015
24/12/2009	30/06/2014	$0.02	$0.05	75.00%	0.00%	5.23%	$0.014
24/12/2009	30/06/2014	$0.02	$0.06	75.00%	0.00%	5.23%	$0.012
24/12/2009	30/06/2014	$0.02	$0.08	75.00%	0.00%	5.23%	$0.011

The following share-based payment arrangements were in existence during the current and previous financial year:

Options series		**Number**	**Grant date**	**Expiry date**	**Exercise price $**	**Fair value at grant date $**
1	EBROB	2,000,000	12/12/2007	12/12/2012	0.10	0.605
2	EBROC	8,000,000	9/05/2008	9/05/2013	0.05	0.221
3	EBRODE	3,250,000	1/01/2008	30/06/2010	0.15	0.028
4	MM1	3,000,000	24/12/2009	30/06/2014	0.04	0.015
5	MM2	2,000,000	24/12/2009	30/06/2014	0.05	0.014
6	MM3	2,500,000	24/12/2009	30/06/2014	0.06	0.012
7	MM4	2,500,000	24/12/2009	30/06/2014	0.08	0.011

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 2.56 years (2010: 3.39 years).

The weighted average exercise price for options outstanding at the end of the year is $0.06 (2010: $0.082).

The weighted average exercise price for options granted during the year was Nil (2010: $0.0099)

The weighted average exercise price for options exercised during the year was $0.05 (2010: $Nil)

Strategic Energy Resources Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Glenister Lamont
Chairman

28 September 2011
Melbourne

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INDEPENDENT AUDITOR'S REPORT

To the members of Strategic Energy Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Strategic Energy Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the disclosing entity are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Strategic Energy Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

BDO

Opinion

In our opinion:

(a) the financial report of Strategic Energy Resources Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies *with International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 20 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Strategic Resources Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO

BDO Audit (NSW-VIC) Pty Ltd

Nicholas E. Burne

Director

Melbourne, Victoria

Dated this 28th day of September 2011

Strategic Energy Resources Limited
Corporate Governance Statement
30 June 2011

The Board of Directors ('the Board') of Strategic Energy Resources Limited (the 'company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to manage and disclose those functions.	The Board is responsible for the overall corporate governance of the company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. The Board has adopted a Delegations of Authority that sets limits of authority for senior executives. On appointment of a director, the company issues a letter of appointment setting out the terms and conditions of appointment to the Board.	Complies.
1.2	Disclose the process for evaluating the performance of senior executives.	The Board meets annually to review the performance of executives. The senior executives' performance is assessed against performance of the Company as a whole.	Complies.
1.3	Provide the information indicated in *Guide to reporting on Principle 1.*	A Board charter has been disclosed on the company's website and is summarised in this Corporate Governance Statement. A performance evaluation process is included in the Board Charter, which has been disclosed on the company's website and is summarised in this Corporate Governance Statement. The Board conducted a performance evaluation for senior executives in the financial year in accordance with the process above.	Complies. Complies. Complies.
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	The majority of the Board's directors are independent directors of the company. Mr Glenister Lamont is an independent Non-Executive Director and Chairman. Mr Peter Armitage is an independent Non-Executive Director. Mr Mark Muzzin is an Executive Director.	Complies.

Principles and Recommendations		Compliance	Comply
2.2	The chair should be an independent director.	Mr Glenister Lamont is the Chairman and is an independent Non-Executive Director.	Complies.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Mr Glenister Lamont is the Chairman and Mr Mark Muzzin the Managing Director.	Complies.
2.4	The Board should establish a nomination committee.	The company has not established a Nomination Committee.	It is not a Company policy to have a nomination committee, given the size and scale of Strategic Energy Resources Limited. The role of a nomination committee is carried out by the full Board. The full Board considers the appointment of new Directors, on an informal basis. The Board's policy for the appointment of new Directors to the Board can be accessed at www.strategicenergy.com.au.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The company conducts the process for evaluating the performance of the Board, its committees and individual directors as outlined in the Board Charter which is available on the company's website. The Board's induction program provides incoming directors with information that will enable them to carry out their duties in the best interests of the company. This includes supporting ongoing education of directors for the benefit of the company.	Complies.
2.6	Provide the information indicated in the *Guide to reporting on Principle 2.*	This information has been disclosed (where applicable) in the directors' report attached to this Corporate Governance Statement. Mr Glenister Lamont and Mr Peter Armitage are independent directors of the company. A director is considered independent when he substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations. Members of the Board are able to take independent professional advice at the expense of the company. Mr Glenister Lamont, Non-Executive Chairman, was appointed to the Board in December 2008. Mr Mark Muzzin, Managing Director and Chief Executive Officer, was appointed to the Board in December 2008. Mr Peter Armitage, Non-Executive Director, was appointed to the Board in March 2011.	Complies. .

Principles and Recommendations		**Compliance**	**Comply**
		Mr Kim McGrath, Non-Executive Director and Chairman was appointed to the Board in December 2008 and resigned in March 2011. The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the company. In accordance with the information suggested in *Guide to Reporting on Principle 2*, the company has disclosed full details of its directors in the director's report attached to this Corporate Governance Statement. Other disclosure material on the Structure of the Board has been made available on the company's website.	
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The code is available on the company's website.	Complies.
3.2	Establish a policy concerning trading in Company Securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	The Company had adopted a Securities Trading Policy which is available on the company's website.	Complies
3.3	Provide the information indicated in *Guide to reporting on Principle 3.*	This information was released to the ASX in December 2010 and also is available on the Company's website	Complies
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	The Board has established an audit and risk committee which operates under an audit and risk committee charter to focus on issues relevant to the integrity of the company's financial reporting.	Complies.

Principles and Recommendations		Compliance	Comply
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	Members of the audit and risk committee are Mr Peter Armitage (Chair) and Mr Glenister Lamont. Mr Peter Armitage is a Non-Executive Director and is not chair of the Board. The committee consists of two non-executive directors.	The Committee only has 2 members due to the size of the Board. To maintain independence the Board decided it wasn't appropriate to include an Executive Director on the Audit Committee in order to have the 3 members.
	The audit committee should have a formal charter.	The Board has adopted an audit and risk charter. This charter is available on the company's website.	Complies.
4.4	Provide the information indicated in *Guide to reporting on Principle 4.*	In accordance with the information suggested in *Guide to Reporting on Principle 2,* this has been disclosed in the directors' report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement. The members of the audit and risk committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution. The audit and risk committee held two meetings during the period to the date of the directors' report and meets at least twice per annum. The audit and risk charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners (which is determined by the audit committee), is available on the company's website.	Complies.
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The company has adopted a continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. This policy is available on the company's website.	Complies.
5.2	Provide the information indicated in the *Guide to reporting on Principle 5.*	The company's continuous disclosure policy is available on the company's website.	Complies.

Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The company has adopted a shareholder communications policy. The company uses its website (www.strategicenergy.com.au), annual report, market announcements and media disclosures to communicate with its shareholders, as well as encourages participation at general meetings. This policy is available on the company's website.	Complies.
6.2	Provide the information indicated in the *Guide to reporting on Principle 6.*	The company's shareholder communications policy is available on the company's website.	Complies.
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The company has adopted a risk management statement within the audit and risk committee charter. The audit and risk committee is responsible for managing risk; however, ultimate responsibility for risk oversight and risk management rests with the Board. The audit and risk charter is available on the company's website and is summarised in this Corporate Governance Statement.	Complies.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Board believes the risk management and internal control systems designed and implemented by the Directors and the Financial Officer are adequate given the size and nature of the Company's activities. The Board informally reviews and requests management internal control.	Management has not formally reported to the Board as to the effectiveness of the Company's management of its material business risks. Given the nature and size of the Company and the Board's ultimate responsibility to manage the risks of the Company this is not considered critical. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.
7.3	The Board should disclose whether it has received assurance from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in	The Board has received a statement from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.

Principles and Recommendations		Compliance	Comply
	relation to the financial reporting risks.		
7.4	Provide the information indicated in *Guide to reporting on Principle 7.*	The Board has adopted an audit and risk charter which includes a statement of the company's risk policies. This charter is available on the company's website and is summarised in this Corporate Governance Statement. The company has identified key risks within the business and has received a statement of assurance from the chief executive officer and chief financial officer.	Complies.
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	The Company does not have an established remuneration committee	It is not a Company policy to have a remuneration committee, given the size and scale of the Company. The role of remuneration committee is carried out by the full Board.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The company complies with the guidelines for executive remuneration packages and non-executive director remuneration. No senior executive is involved directly in deciding their own remuneration.	Complies.
8.3	Provide the information indicated in *the Guide to reporting on Principle 8.*	The information has been disclosed in the Annual Report	Complies.

Strategic Energy Resources Limited's corporate governance practices were in place for the financial year ended 30 June 2011 and to the date of signing the directors' report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Strategic Energy Resources Limited, refer to our website: www.strategicenergy.com.au

Strategic Energy Resources Limited
Shareholder information
30 June 2011

The shareholder information set out below was applicable as at 29 August 2011.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	1,027
1,001 to 5,000	474
5,001 to 10,000	426
10,001 to 100,000	1,319
100,001 and over	427
	3,673
Holding less than a marketable parcel	1,420

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
E E R C Australasia Pty Ltd <Super Fund A/C>	31,525,880	9.45
Avatar Energy Pty Ltd	30,712,119	9.21
JP Morgan Nominees Australia Limited <Cash Income A/C>	11,784,165	3.53
Mr Carl E Holt & Mrs Lorraine Holt <Holt Super Fund A/C>	8,000,000	2.40
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	6,524,002	1.96
HSBC Custody Nominees (Australia) Limited	6,259,652	1.88
Mrs Christine M Whitesman	6,000,000	1.80
Citicorp Nominees Pty Limited	4,305,445	1.29
Mr Markram Hanna & Mrs Rita Hanna <Hanna & Co P/L Super A/C>	3,710,000	1.11
Mr Mark A Muzzin	3,500,000	1.05
Success Oil Company Limited	3,400,000	1.02
Mr Patrick T Bergin	2,877,001	0.86
Boom Securities (HK) Limited <Client Account>	2,018,300	0.61
Tradcorp Pty Ltd	2,000,000	0.60
Mr Todd A Wilson & Mrs Jodie L Wilson	2,000,000	0.60
F Terranova Investments Pty Ltd <Terranova Super Fund A/C>	2,000,000	0.60
CJN Bloodstock Pty Ltd <Holt 2005 A/C>	2,000,000	0.60
National Nominees Limited	1,925,460	0.58
Mr Alistair J Forsyth	1,800,000	0.54
Mr Robert N Sheather & Mrs Erika Sheater	1,796,000	0.54
	134,138,024	40.23

Strategic Energy Resources Limited
Shareholder information
30 June 2011

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	17,100,000	4

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
E E R C Australasia Pty Ltd <Super Fund A/C>	31,525,880	9.45
Avatar Energy Pty Ltd	30,712,119	9.21

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
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.

There are no other classes of equity securities.

Tenements

Description	Tenement number	Interest owned
Gippsland Basin - Victoria	VIC/P41	17.50%
Gippsland Basin - Victoria	VIC/P47	25.00%
Gippsland Basin - Victoria	VIC/P66	23.00%
Cooper Basin - South Australia	PEL-182	5.00%
Uley Graphite Mine - South Australia	ML 5561	100.00%
Uley Graphite Mine - South Australia	ML 5562	100.00%
Uley Graphite Mine - South Australia	EL 3414	100.00%
Uley Graphite Mine - South Australia	RL 66	100.00%
Uley Graphite Mine - South Australia	RL 67	100.00%
Falconbridge - Western Australia	E38/1970	95.00%
Falconbridge - Western Australia	P38/3382	95.00%
Falconbridge - Western Australia	P38/3383	95.00%
Falconbridge - Western Australia	P38/3384	95.00%
Casterton - Victoria	EL 5040	5.00%
Myall Creek - South Australia	EL 3538	50.00%
Cultana - South Australia	EL 3547	75.00%