



STRATEGIC ENERGY RESOURCES LIMITED

ACN 051 212 429

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31 October 2012

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Quarterly Report to 30 September 2012

HIGHLIGHTS FOR THE QUARTER:

- **Subsequent to end of quarter Cultana unlocked**
- **Significant progress at Uley mine:**
 - **testing and upgrading of electrical equipment**
 - **on site water supply completed**
 - **float cell water tested**
 - **general site preparation**
- **Further progress with Monash University researchers**
- **Currently in negotiations with groups on the sale of our oil/gas assets**

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

1. MINERAL EXPLORATION

1.1 ULEY GRAPHITE MINE – 20% interest through Tarcoola Gold PORT LINCOLN, SA

Uley Graphite Project

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

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

Progress on site

We are pleased to report that substantial progress has been made at the plant. Within the processing plant the following work has been carried out:

- Substantially completed the significant removal of redundant plant and equipment from the building to meet the requirements for the revised restart of the process circuit.
- Water supply to the plant from onsite storage has been completed and testing of the integrity of the flotation circuit has been finalised;
- Commenced the process of re-roofing, water-proofing and security of the building with the installation of walls and compliant entry and egress for personnel and equipment;
- Conducted full electrical testing and cleaning of the Motor Control Centre in preparation for reconnection of plant and equipment and restart of processing;



Piping being installed

Other work completed or underway:

- The reroofing of the test-processing circuit building and of the laboratory is underway in anticipation of the restart of those systems to test and check material at site.

- Commenced the full design and sourcing of equipment to repair and reinstate the external processing circuit with the system for removal of redundant plant and equipment being developed to re-use material in other areas of the facility.
- Completed surveys of the raw material stockpiles and the volume of water contained in the old open pit. Those surveys have verified the quantities of raw material and water required for processing this year.



Tailings dam prepared



Preparation in action

MEGA GRAPHITE UPDATE

SER has previously announced that the completion of the transactions contemplated under the Merger Implementation Deed would be delayed until approximately the end of October 2012. SER has subsequently become aware that the transactions will not be completed by the end of October and are unlikely to be completed in a manner or within a time which the boards of SER and Tarcoola would consider satisfactory.

SER and Tarcoola continue to be committed to the goal of listing Tarcoola on a stock exchange and were of the view that a listing in Canada was likely to represent the best value for shareholders. Accordingly, SER has continued discussions with both MEGA Graphite and directly with institutional investors and corporate advisors in Canada to reach a satisfactory outcome in terms of both timing and value for the effective listing of Tarcoola in Canada, either through merger, reverse takeover or direct listing of Tarcoola, with Tarcoola shareholders now taking the majority stake.

Difficult share market conditions for smaller companies, especially those not yet producing, has made these discussions both protracted and problematic and it now appears to the directors of SER and Tarcoola that it may not be possible to achieve the previously indicated by MEGA \$70 million valuation for Tarcoola shareholders.

The SER and Tarcoola boards have asked MEGA to provide a firm agreement for:

- Initial funding of approximately \$5 million, to be made available to Tarcoola; and
- further future funding for amounts sufficient to effect Tarcoola's development plan in respect of the Uley mine in the short to medium term; in both cases, at a valuation that SER and Tarcoola believe shareholders will find reasonable.

SER is also seeking alternative ways to realise value and is currently evaluating different scenarios.

Monash University Research Update

The Monash researchers have successfully synthesized highly exfoliated graphene-oxide (GO) from the mined graphitic fines supplied by SER. Chemical and physical analysis indicate that the GO is very similar to one produced from high purity artificial graphite (purchased from Bay Carbon, USA). GO is the precursor to graphene-based materials suitable in high-performance electrochemical energy storage applications.

In addition the scholarly team has recently had an article accepted for publication in Langmuir entitled: "Localized Deoxygenation and Direct Patterning of Graphene-Oxide Films by Focused Ion Beams". This is a discovery and given its commercial significance, Monash University has filed an Australian patent: "Conductive Portions in Insulating Materials" (Australian Provisional Patent Application 2012902606).

1.2 CULTANA (SER 75%) EL 44 SOUTH AUSTRALIA

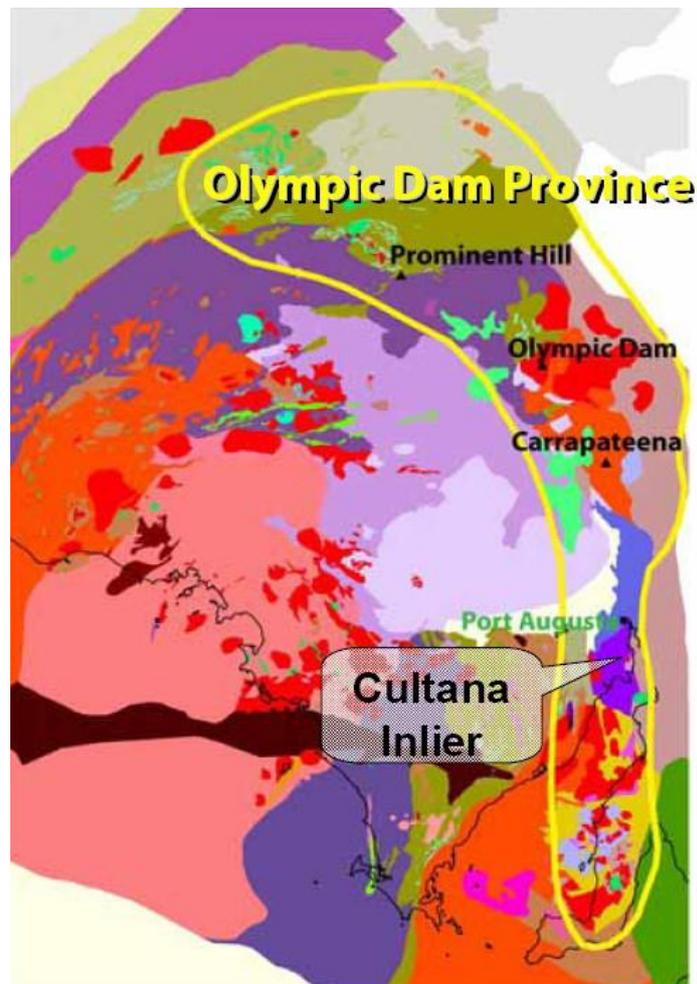
Subsequent to the end of the quarter, the Cultana Joint Venture has been granted access to the prospective Commonwealth land known as Cultana Military Training Area (CMTA, Cultana).

The Cultana area is considered to be one of the best remaining blocks to explore for Iron Oxide Copper Gold (IOCG) type mineralisation in South Australia. It forms part of the Olympic Dam Province which includes Prominent Hill, Olympic Dam and Carrapateena.

Access to this potential Iron Oxide Copper Gold (IOCG) mineralised area has been an ongoing key objective for SER and we deem the grant of access as a major milestone for the company.

The Cultana Lease, EL 5010, covers an area of 792 square kilometres within the Cultana Army Training Area south of Port Augusta in South Australia. SER holds a 75% interest in the licence in a joint venture with U Energy Pty Ltd and its parent company Fleurieu Mines NL, who holds the remaining 25%. Mr Muzzin is also a director of U Energy and is a director and major shareholder of Fleurieu Mines NL.





Cultana Subsuite and alteration events by PIRSA (McAvaney, 2008)

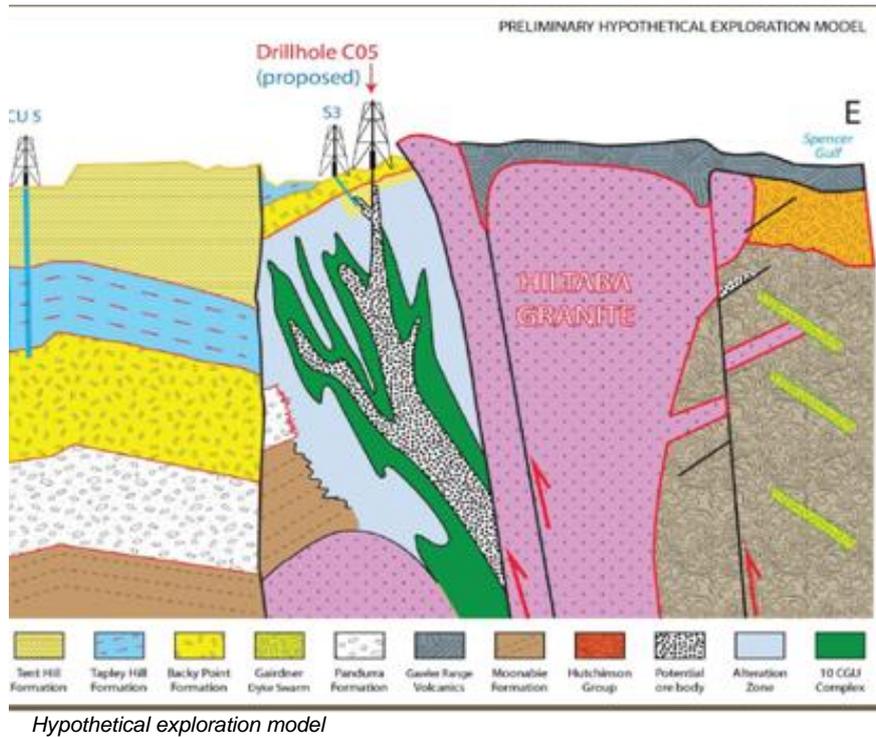
Past exploration in the Cultana area has been limited, due to restricted access by Defence. Serem Australia explored for copper in 1971 and drilled three shallow holes, none of which reached crystalline basement rocks. In 2004, a Falcon gravity survey defined targets of potential Olympic Dam style (IOCG type) copper gold mineralisation. Works also include a study of the Cultana Subsuite and alteration events by the government body PIRSA (McAvaney, 2008) Figure 1.

The Cultana area displays strong background anomalism with indications of the potential for a significant mineralising system present at depth. The initial pervasive alteration of the inlier is recognised in outcrops and the high resolution gravity data indicates several high density bodies distributing around the Cultana granites.

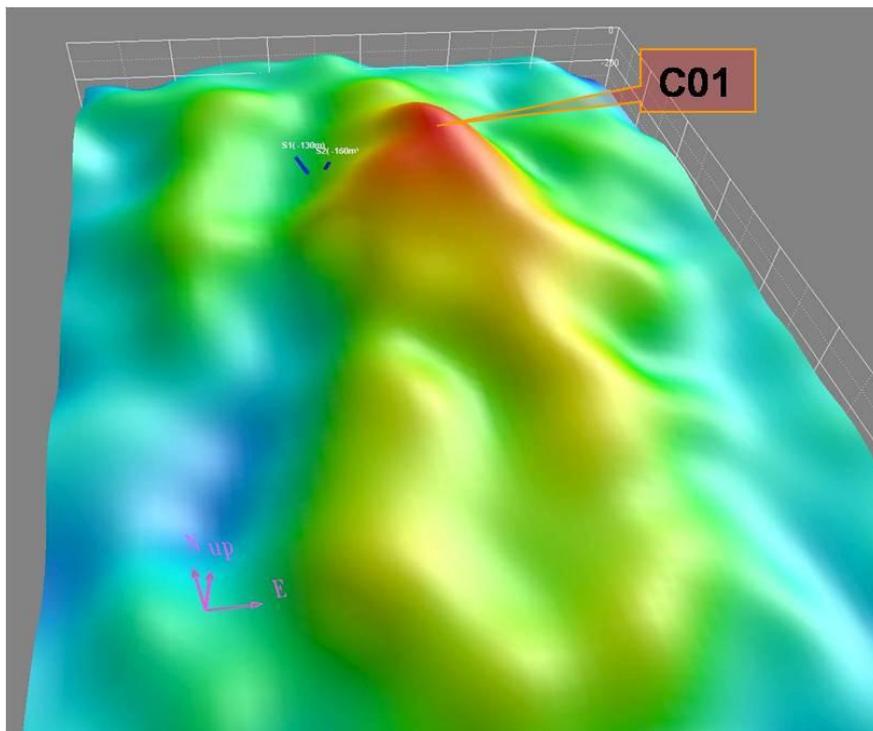
Inversion modelling suggests the cores of the high density material are consistent with the IOCG style deposits along the eastern margin of the Gawler Craton, notably Olympic Dam, Prominent Hill and Carrapateena.

Currently two holes are planned for test-drilling in the Cultana Inlier. The Joint Venture is considering flying a 90 kilometre squared HeliTEM geophysical survey over all seven defined IOCG gravity targets to confirm exact drill locations.

The first proposed target (CO5) contains the highest Specific Gravity (or density) anomaly in the Cultana Falcon gravity survey area and is in contact with Cultana granites. A hypothetical exploration model is shown below.



The second proposed target has coincidental gravity and magnetic highs near copper mineral bearing outcropping rocks. A perspective view of this gravity anomaly (C01) is illustrated below.



Gravity view of previously identified C01 anomaly

A Deed of Access needs to be signed with the Department of Defence that outlines the parameters of site access. SER has already reviewed an earlier draft document and foresees no issue with obtaining the deed.

The project also requires standard regulatory approvals from DMITRE (Department for Manufacturing, Innovation, Trade, Resources and Energy, South Australia).

The Joint Venture is aiming to drill the key targets at the earliest possible time. This will be dependent on the availability of drill rigs and all usual permissions being granted.

1.3 MYALL CREEK (SER 50%) EL 45 SOUTH AUSTRALIA

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.

A further drilling program is being devised with the goal of coordinating with the drill program devised for Cultana. Analysis is continuing of the prior geochemical and drill data.

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

The Falcon Bridge area covers approximately 17km of strike of ultramafic rich stratigraphy in the Duketon Greenstone Belt coincident with linear magnetic anomalism.

All previous drill results obtained from the previous Joint Venture partner are being reviewed.

2. OIL AND GAS EXPLORATION

2.1 PEL-182 - (SER 5%) ONSHORE PETROLEUM EXPLORATION – COOPER BASIN, SA

PEL 182 was in suspension to 1 October 2012 on the basis that flooding and generally wet ground conditions precluded access for seismic survey activities.

The Operator, on behalf of the PEL 182 JV, applied for and has been granted a further six month s76A suspension of this permit. The basis of the application was that while ground conditions have improved since late 2011, the area is still inaccessible for the purpose of carrying out a seismic acquisition program. The s76A suspension allows the conduct of regulated activities during the suspension period. The term of PEL 182 has been extended by the same six month period, to 22 May 2015.

We are currently negotiating with a group on the sale of our interest.

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

Permit Vic/P47 is located in the offshore Gippsland Basin, approximately 10 kilometres offshore, south of the Victorian town of Orbost. Water depths range up to 80 metres. The permit contains the Judith and Moby gas discoveries. The Judith gas resource has been certified by Gaffney Cline & Associates (GCA) to hold 194 BCF (2C) and 934 BCF (3C) of recoverable Contingent Resources. Both Judith and Moby are in close proximity to existing or planned infrastructure in adjacent licences.

During the quarter, the operator continued the interpretation of the simultaneous seismic inversions undertaken on the reprocessed Moby 3D seismic volume and 200 square kilometres of the Northern Fields 3D seismic survey. The work covered the Moby and Judith fields and was aimed at delineating the field boundaries as a precursor to the Tear 5 well planning process.

2.3 VIC/P41 – (SER 17.5%) EASTERN OFFSHORE GIPPSLAND BASIN

Permit Vic/P41 (539 square kilometres) is located in the east of the offshore Gippsland Basin, approximately 40 kilometres south of the Victorian coast. BAS maps extensions of the Kipper and BMG producing trends in its East Gippsland permits.

Work continued on preparing to acquire the Stanton 3D seismic survey (to be acquired jointly with the Vic/P66 Joint Venture).

2.4 VIC/P66 – (SER 23%) EASTERN OFFSHORE GIPPSLAND BASIN

Permit Vic/P66 (2160 square kilometres) is located adjacent to Vic/P66 in the east of the offshore Gippsland Basin, approximately 40 kilometres south of the Victorian coast. BAS maps extensions of the Kipper and BMG producing trends in its East Gippsland permits.

Work continued on preparing to acquire the Stanton 3D seismic survey (to be acquired jointly with the Vic/P41 Joint Venture).

We are currently in discussions with different groups on the divestment of one or more of our oil/gas assets.



Mark Muzzin
Managing Director

Competent Person Statement

The Myall Creek information is based on information compiled by SER's geological consultant, Dr Wenlong Zang. Dr Zang is a member of the Australasian Institute of Mining & Metallurgy. Dr Zang 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 and has consented in writing to the inclusion of the information.

Risk Factors

Various statements in this release constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, expectations, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or impliedly portrayed herein. Furthermore, exploration for oil, gas and minerals is speculative, expensive and subject to a wide range of risks. Individual investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional advisor as to the suitability for them of an investment in the Company.

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

STRATEGIC ENERGY RESOURCES LIMITED

ABN

14 051 212 429

Quarter ended ("current quarter")

30 SEPTEMBER 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(34)	(34)
(b) development	-	-
(c) production	-	-
(d) administration	(335)	(335)
(e) bank guarantee	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Demerger Implementation Fees	-	-
Net Operating Cash Flows	(367)	(367)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Research and Development – Monash University	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(367)	(367)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(367)	(367)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(367)	(367)
1.20	Cash at beginning of quarter/year to date	1,072	1,072
1.21	Demerger of Tarcoola Gold Limited	-	-
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	Cash at end of quarter	705	705

Payments to directors of the entity and associates of the directors

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

	Current quarter \$A'000	
1.24	Aggregate amount of payments to the parties included in item 1.2	89
1.25	Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

Director's fees and consulting fees paid during the September 2012 quarter.

Non-cash financing and investing activities

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

Nil

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

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
4.3 Production	-
4.4 Administration	182
Total	282

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	118	284
5.2 Deposits at call	587	788
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	705	1,072

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

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

	Number issued	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	348,622,501	348,622,501		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.7 Options <i>(description and conversion factor)</i>				
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Cancelled during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

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



Sign here:

Date: 31 October 2012

Print name: MELANIE LEYDIN

Notes

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

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