



STRATEGIC ENERGY RESOURCES LIMITED

ACN 051 212 429

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16 January 2012

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Quarterly Report to 31 December 2011

HIGHLIGHTS FOR THE QUARTER:

- **Demerger scheme booklet sent to shareholders – MEGA Graphite deal on track**
- **Agreement on Operations signed with MEGA Graphite on refurbishment and production**
- **Refurbishment of Uley mine has commenced**
- **Monash University Research Agreement signed**
- **Vic/P41 permit renewal**

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

1. MINERAL EXPLORATION

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

Uley Graphite Project

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

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

MEGA Graphite deal on track

A Court Order was made in the Supreme Court of Victoria on the 9th of December 2011 for a meeting to be called on the 23rd of January 2012 to consider the Demerger Scheme.

The first scheme booklet (the Demerger Scheme) has been mailed to shareholders. This first scheme is an important first step in completing the deal with MEGA Graphite Inc ('MEGA'). The shareholders meeting will be held on the 23rd of January 2012 and if the Demerger Scheme is approved by the requisite majorities, the all important Ex Dividend Date is the 6th of February 2012. A shareholder must be on the register on that date to get the benefit of the Demerged Tarcoola Gold Ltd ('Tarcoola') Shares, which are proposed to be swapped for listed, tradeable MEGA shares subject to Tarcoola Gold shareholders and regulatory approvals.

Background to the Demerger Scheme

At the date of the Demerger Scheme Booklet, Tarcoola is a wholly owned subsidiary of SER. Strategic Energy Graphite ('SEG') is, in turn, a 100% owned subsidiary of Tarcoola. SEG owns the graphite mining assets, known as Uley. As announced on 22 July 2011, the SER Board has recently considered a range of alternative proposals in relation to obtaining value from SEG's business and assets. The most attractive proposal was the one that resulted in the Merger Implementation Deed ('MID') between SER and MEGA.

MEGA is a Canadian corporation which intends to either list on the Toronto Stock Exchange (or another appropriate stock exchange) or to merge with a company listed on an appropriate stock exchange. The board of SER has been informed by MEGA that the upcoming listing of MEGA is progressing well and that MEGA will be listed by the end of March 2012.

Under the MID, SER and MEGA agreed that, subject to certain conditions SER would seek a meeting to consider the Demerger Scheme and, if the Demerger Scheme is successful, Tarcoola would seek a meeting to consider the Transfer Scheme to acquire the shares in Tarcoola.

SER's obligations under the MID have not yet become unconditional. However the board of SER has determined that, regardless of whether the Transfer Scheme is proposed, a demerger will nevertheless be a key step in the unlocking of Tarcoola's value.

Accordingly, the Board of SER has determined that, for the reasons set out in section 4 of the Demerger Scheme booklet, in the absence of a superior proposal it is in the best interest of SER's shareholders for the Demerger Scheme to proceed regardless of whether the Transfer Scheme is proposed or adopted.

The Second Scheme - The Transfer Scheme

Under the Transfer Scheme (if a meeting for this purpose is convened and the Transfer Scheme is approved by Tarcoola's shareholders at the time) MEGA would acquire all of the Tarcoola Shares on issue in exchange for listed and tradeable scrip in MEGA (or, if MEGA has merged with a listed entity, then scrip in that entity).

If a meeting is convened for the purpose of considering the Transfer Scheme, each beneficial shareholder in Tarcoola will be entitled to vote at that meeting. Those beneficial shareholders will be SER and the SER Shareholders who become entitled to receive Tarcoola shares under the Demerger Scheme.

The Transfer Proposal would also be subject to a number of conditions before it can be implemented. These conditions would include:

- the approval of the Demerger Proposal by SER Shareholders (if this has not already occurred at the time the Transfer Scheme is to become effective);
- the Tarcoola Shareholders approving the Transfer Scheme;
- the Court approving the Demerger Scheme (if this has not already occurred at the time the Transfer Scheme is to become effective); and
- the Court separately in due course approving the Transfer Scheme.

At this stage no order convening a meeting for the purpose of considering the Transfer Scheme has been proposed, though the SER Board is confident that this will occur in the near future.

Agreement on Operations signed with MEGA

As announced on the 31st of October 2011, an Agreement on Operations was signed for MEGA to begin refurbishment and production from the Company's Uley graphite facility. It is intended that this agreement will be in force until the completion of the second scheme and is a sign of 'good faith' between MEGA and SER.

Summary of work performed by MEGA at Uley

The existing plant and equipment at Uley underwent extensive expert assessment and review in September and October 2011. That review process was positive in terms of the work to be performed and the future of operations at Uley.

The review identified:

- the current state of the plant and equipment;
- the extent and nature of work involved in bringing the plant and equipment off care and maintenance; and
- the items of plant and equipment that will be needed to conduct processing operations at site in 2012.

As a consequence of the review process the reawakening of the Uley operations in 2012 has been divided into two preliminary stages. In the first stage the focus of work has been directed to refurbishment of the secondary processing system (or back end) of the plant. In that first stage the plant and equipment located within the primary facility at Uley has been the primary focus. This is an important and positive step for operations at Uley. The first stage will allow the operations to:

- process the existing stockpile of fines estimated at between 6000 to 8000 tonnes;
- assess the operability of the back end of the plant for the second stage; and
- further tests to understand the nature of the graphite at Uley.

Each of these aspects arising from the first stage of work are important elements in the measured and well planned redevelopment of operations at Uley. They are particularly important as a means of assuring the ability of the operations to consistently and reliably deliver Graphite to customers. This first stage is scheduled to deliver saleable product early in the first quarter of 2012 ramping up to delivery of refined production derived from the fines stockpile to a range of global customers. The process of engaging with those customers is significantly advanced. Sales contracts will be signed very shortly.

Following the assessment of the plant and equipment that has been undertaken at Uley, and the implementation of the first stage, there has been significant work performed in the development and modeling of the second stage. The second stage involves a significant increase in production for Uley. The external processing operations will be established to feed the then operational first stage plant. This second stage plant will process the estimated 80,000 tonnes of raw material derived from the campaign mining when the facility was last operational. The current program sees this second stage of processing coming online in the second quarter of 2012 with the consequent sale of that refined Graphite production to customers in the third quarter of 2012.

Each of the identified first and second stages are considered to be positive outcomes of the significant amount of engineering, sampling, testing, cleaning and repair work that has been conducted at Uley. Substantial community support and a high level of interest from the identified customer base for the Graphite which will be processed by MEGA Graphite from Uley have underpinned the positive outcomes of the work on the ground. This position also supports the positive outlook on sustained senior investor interest and support for MEGA Graphite as production and income will be delivered in year one of operations backed by a defined strategy for delivery of future significant production from 2013 onwards.

Monash University Research Agreement signed

The Australian Research Council (“ARC”) Linkage Projects Research Agreement with Monash University and SER was signed and announced on the 30th of November 2011.

The project involves the utilization of Uley graphite fines in high performance graphene-based electrochemical energy storage. A postdoctoral researcher and two PhD students have joined the team to work towards the goals of the project.

During the first year, different grades of graphitic fines will be sent to Monash for the scientists to characterize this raw material. The next step will be to convert the raw material to graphene-based nanomaterials utilizing in-house processes for further characterization.

Shareholders should be reminded that this agreement and any IP generated will be an asset of SER and Monash University.

1.2 MYALL CREEK (SER 50%) EL 3538 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.

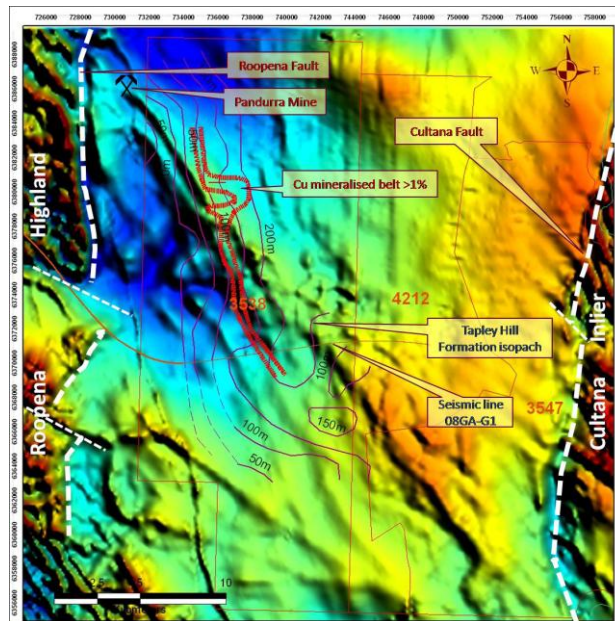
The exploration programme was focused on a prospect named Honeymoon Dam. The Honeymoon Dam Prospect is 2.5km south of the known Myall Creek mineralisation zone. Depths to the mineralisation zones in the area are in the range of 50-150m.

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. The hole was called to a halt due to poor weather conditions. Further drilling will depend on weather and rig availability. The preliminary assays of the cores for the two completed holes are presented below:

SampleNo	HoleID	Depth from	DepthTo	Cu (ppm)
SER11MC001	MC02	115.7	116.7	2600
SER11MC002	MC02	116.8	117.8	1780

These results are an average grade for the region and are encouraging for further exploration efforts.

The current activities on this project revolve around analysing prior geochemical and drilling data and incorporating the information into a data base. A further drilling program is being devised with the goal to try to achieve a JORC resource statement.



TMI image shows major Cu mineralisation belt defined by drillhole geochemical data (Cu cut-off grade 1%)

1.3 CULTANA (SER 75%) EL 3547 SOUTH AUSTRALIA

The Cultana Lease EL3547 covers an area of 792 km² within the Cultana Army Training Area south of Port Augusta in South Australia. Access to the Army Base has only been approved for mineral exploration on three prior occasions. Ten holes were drilled in the licence area, and none of them penetrated crystalline basement. The Cultana Inlier is considered to be one of the best remaining blocks to explore for IOCG (iron oxide, copper, gold) mineralisation in South Australia. SER holds a 75% interest in the licence.

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

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

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

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

Ishine has given SER formal notification of termination of the Joint Venture Agreement. SER now retains a 95% interest in the project and is currently re-evaluating all the drill data as provided by Ishine.

2. OIL AND GAS EXPLORATION

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

A six month extension has been granted. The licence is under suspension until the 1st of April 2012. A review is to be conducted towards the end of this suspension period to assess future work plans and accessibility and, if necessary, request from PIRSA an additional 6 month suspension.

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

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

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

The Joint Venture has commenced a simultaneous seismic inversion study to enhance the definition of the Judith and Moby fields.

Discussions with potential Vic/P47 farminees are continuing.

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

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

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

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

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 thermogenic gas further enhances the concept of a "fill/spill chain" through the permit.

Vic/P41 has been granted a new five year term, commencing 29 November 2011. The primary term work program commitment is to acquire 3D seismic data over Lead A area of the permit and then to undertake simultaneous seismic inversion of that data. This, together with the inverted Oscar 3D, will provide a consistent data set from which to determine the optimal exploration drilling target to test the Golden Beach play.

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



Mark Muzzin
Managing Director

Competent Person Statement

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

Risk Factors

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

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

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

STRATEGIC ENERGY RESOURCES LIMITED

ABN

14 051 212 429

Quarter ended ("current quarter")

31 DECEMBER 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(86)	(422)
(b) development	-	-
(c) production	-	-
(d) administration	(345)	(561)
(e) bank guarantee	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	34
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	787
Net Operating Cash Flows	(414)	(162)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	(7)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	51
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	44
1.13 Total operating and investing cash flows (carried forward)	(414)	(118)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(414)	(118)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	55
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	-	55
	Net increase (decrease) in cash held	(414)	(63)
1.20	Cash at beginning of quarter/year to date	1,485	1,134
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,071	1,071

Payments to directors of the entity and associates of the directors

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

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

1.25 Explanation necessary for an understanding of the transactions

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

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	75
4.2 Development	-
4.3 Production	-
4.4 Administration	350
Total	425

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	36	464
5.2 Deposits at call	1,035	1,021
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,071	1,485

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

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

	Number issued	Number quoted	Par value (cents)	Paid-up value (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	334,622,499	334,622,499		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 (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.7 Options (description and conversion factor)	4,000,000 2,000,000 3,000,000 2,000,000 2,500,000 2,500,000	- - - - - -	<i>Exercise price</i> \$0.05 \$0.10 \$0.04 \$0.05 \$0.06 \$0.08	<i>Expiry date</i> 09/05/2013 12/12/2012 30/06/2014 30/06/2014 30/06/2014 30/06/2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Cancelled during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

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



Sign here:

Date: 16 January 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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