

Strategic Energy Resources Limited

ABN 14 051 212 429

Half-year Financial Report - 31 December 2023

Strategic Energy Resources Limited

Contents

31 December 2023



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Directors	Mr Stuart Rechner - Executive Chair Dr David DeTata - Managing Director Mr Anthony McIntosh - Non-Executive Director
Company secretary	Mr Mathew Watkins
Registered office and principal place of business	Level 4, 100 Albert Road South Melbourne VIC 3205 Ph: 03 9692 7222 Fax: 03 9077 9233
Share register	Link Market Services Limited Tower 4, 727 Collins Street Melbourne, VIC 3008 Ph: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd Level 43 Central Park 152-158 St Georges Terrace Perth WA 6000
Stock exchange listing	Strategic Energy Resources Limited shares are listed on the Australian Securities Exchange (ASX code: SER)
Website	www.strategicenergy.com.au

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity' / 'Group') consisting of Strategic Energy Resources Limited (referred to hereafter as the 'Company', 'SER' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2023.

Directors

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

Mr Stuart Rechner - Executive Chairman
Dr David DeTata - Managing Director
Mr Anthony McIntosh - Non-Executive Director

Principal activities

The consolidated Entity is a specialised undercover mineral explorer and project generator focused on discovery in greenfield frontiers of Australia whose principal activities during the period ended 31 December 2023 are exploration for minerals in Australia.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Review of financial results

The loss for the Consolidated Entity after providing for income tax amounted to \$317,888 (31 December 2022: \$240,794).

The Consolidated Entity's net assets increased by \$1,829,434 to \$7,593,318 as at 31 December 2023 (30 June 2023: \$5,763,884). The Consolidated Entity had net cash outflows from operating activities for the period of \$397,830 (31 December 2022 net cash outflows: \$19,033). Working capital, being current assets less current liabilities, increased by \$1,179,344 to \$1,601,844 (30 June 2023: \$422,500).

Review of operations

SER's goal is the discovery of major copper-gold deposits which we pursue as a specialised undercover mineral explorer and project generator. During the July-December 2023 reporting period, we have continued to execute our strategy of "Discovery via Drilling" and "Discovery via Partnership".

In June 2023, SER and FMG Resources Pty Ltd, a subsidiary of Fortescue Metals Group Limited (ASX: FMG) executed a Farm-in Joint Venture Agreement (FJV) over the **Canobie Project**. The FJV requires FMG to spend \$8M to earn an 80% joint venture interest. Importantly, the FJV requires the drilling of 6,000m of basement ensuring the testing of multiple new Copper-Gold and Nickel-Copper targets across the project tenure. Coinciding with the announcement of the FJV, SER completed a \$2,500,000 capital raise via a Share Placement to new and existing shareholders. This level of funding combined with the FJV will ensure SER can deliver multiple drill programs into 2024, maximising our chances of discovery.

Fieldwork began immediately at Canobie during the shortened field season with over 3,000 metres of drilling completed across three new prospects. The Wondoola Prospect, which was awarded a \$275,000 Queensland Government grant, was targeting the terminus of a northward striking chonolith and intersected low level copper mineralisation. The Sundance and Apollo Bore prospects were targeting intense magnetic bodies to find Ernest Henry style magnetite IOCG mineralisation. Both holes hit hydrothermal magnetite rich rocks with IOCG geochemical pathfinders present. The learnings from the first field season, combined with historical datasets are now being examined to design and conduct a new program of geophysics prior to drill testing new IOCG targets in 2024.

In September 2023, SER completed a magnetotellurics (MT) survey at our **Mundi** Copper-Gold Project located 155km north of Broken Hill that was awarded an \$50,000 NSW New Frontiers Grant. Data collected from the 95 station broadband MT station was used to aid our search for structurally controlled IOCG mineralisation within 500m of surface. Advanced modelling was subsequently completed by the University of Adelaide which revealed a large, high-intensity conductive anomaly with modelled resistivities in the core reaching values of less than 0.1ohm.m, which is an unusually conductive feature. In 2024 a follow-up geophysics survey will be completed to define a drill target for testing.

In December 2023, four years after signing a Farm-in Joint Venture with Fortescue at **Myall Creek**, Fortescue completed a detailed gravity survey covering the newly identified Lincoln Gap prospect. The prospect is a ~1 mGal discrete gravity anomaly with a ~1.4 x 1.4km footprint that straddles the tenement boundary. The new dataset is currently undergoing geophysical modelling to determine whether the Lincoln Gap anomaly is a worthy IOCG drill target.

The SER team would like to thank our shareholders for their continued support in our search for Australia's next major discovery.

Significant changes in the state of affairs

On 27 June 2023, the Company announced a capital raise of up to \$2.5m by way of placement by issuing 178,571,428 fully paid ordinary shares at \$0.014 (1.4 cents) per ordinary share. The Placement of fully paid ordinary shares was undertaken in two tranches. On 3 July 2023, Tranche 1 of the placement was completed by issuing 71,428,571 fully paid ordinary shares within the Company's existing placement capacity. On 25 August 2023 Shareholders approved Tranche 2 of the Placement, subsequent to which the Company issued 107,142,857 fully paid ordinary shares, in September 2023.

On 17 July 2023, the Company announced the completion of the sale of the East Tennant Project to Middle Island Resources Limited (ASX: MDI), which had been previously announced to the market on 16 May 2023. Middle Island has issued 18,240,000 fully paid ordinary MDI shares, for a deemed issue price of \$0.035 (3.5 cents) per fully paid ordinary share.

On 3 July 2023, the Company issued 2,500,000 shares to the Corporate Advisor as consideration for its services at \$0.02 (cents) per share.

On 7 September 2023, the Company issued 15,571,429 fully paid ordinary shares at nil consideration in relation to the exercise of Options that were issued to Directors in the prior years.

On 12 September 2023, the Company issued 2,000,000 fully paid ordinary shares at nil consideration in relation to the exercise of Options that were issued to Directors and employees in the prior years.

On 21 September 2023, the Company was awarded a \$50,000 NSW Government New Frontiers Exploration Program grant to complete a surface based geophysical program at the Mundi Project.

On 24 November 2023, the Company issued 12,000,000 Unlisted Options to directors and employees, at nil exercise price, expiring on 23 November 2026, subject to various vesting conditions.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial period.

Matters subsequent to the end of the financial period

On 14 March 2024, the Company relinquished the exploration licence for tenement EL9373 Nymagee in NSW.

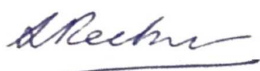
No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Mr Stuart Rechner
Executive Chair

15 March 2024

Grant Thornton Audit Pty Ltd

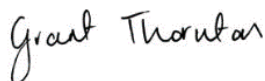
Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000
PO Box 7757
Cloisters Square
Perth WA 6850
T +61 8 9480 2000

Auditor's Independence Declaration

To the Directors of Strategic Energy Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Strategic Energy Resources Limited for the half-year ended 31 December 2023. I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J C Rubelli
Partner – Audit & Assurance

Perth, 15 March 2024

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ACN-130 913 594

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Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2023



		Consolidated	
	Note	31 December 2023	31 December 2022
		\$	\$
Other income	4	256,170	300,000
Interest income		20,716	3,027
Expenses			
Employee benefits expense		(136,385)	(73,408)
Corporate expenses		(235,956)	(154,869)
Impairment of exploration and evaluation assets		-	(164,982)
Tenement due diligence and other exploration expenses		(83,911)	(23,534)
Share based payments		(35,876)	(77,500)
Other expenses		(102,646)	(49,528)
Loss before income tax expense		(317,888)	(240,794)
Income tax expense		-	-
Loss after income tax expense for the period attributable to the Owners of Strategic Energy Resources Limited		(317,888)	(240,794)
Other comprehensive income			
<i>Items that will not subsequently be transferred to profit or loss</i>			
(Loss) / gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax	8	(359,834)	3,359
Other comprehensive income for the period, net of tax		(359,834)	3,359
Total comprehensive income for the period attributable to the Owners of Strategic Energy Resources Limited		(677,722)	(237,435)
		Cents	Cents
Basic earnings per share	19	(0.07)	(0.11)
Diluted earnings per share	19	(0.07)	(0.11)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Strategic Energy Resources Limited
Statement of financial position
As at 31 December 2023



		Consolidated	
		31 December	30 June 2023
	Note	2023	2023
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	1,336,969	975,061
Other receivables	6	568,986	97,114
Non-current assets classified as held for sale	7	20,665	443,563
Prepayments		61,610	23,556
Total current assets		<u>1,988,230</u>	<u>1,539,294</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	8	985,661	707,095
Property, plant and equipment		1,256	2,741
Exploration and evaluation assets	9	4,831,579	4,478,570
Security deposits		172,978	152,978
Total non-current assets		<u>5,991,474</u>	<u>5,341,384</u>
Total assets		<u>7,979,704</u>	<u>6,880,678</u>
Liabilities			
Current liabilities			
Trade and other payables		222,556	135,226
Employee entitlements		65,070	46,090
Other liabilities	10	98,760	935,478
Total current liabilities		<u>386,386</u>	<u>1,116,794</u>
Total liabilities		<u>386,386</u>	<u>1,116,794</u>
Net assets		<u>7,593,318</u>	<u>5,763,884</u>
Equity			
Issued capital	11	40,937,529	38,370,001
Reserves	12	239,154	1,029,262
Accumulated losses		(33,583,365)	(33,635,379)
Total equity		<u>7,593,318</u>	<u>5,763,884</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Strategic Energy Resources Limited
Statement of changes in equity
For the period ended 31 December 2023



Consolidated	Issued Capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	37,438,128	1,063,695	(33,190,599)	5,311,224
Loss after income tax expense for the period	-	-	(240,794)	(240,794)
Other comprehensive income for the period, net of tax	-	3,359	-	3,359
Total comprehensive income for the period	-	3,359	(240,794)	(237,435)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	875,000	-	-	875,000
Share-based payments (note 20)	-	77,500	-	77,500
Issue of shares upon exercise of options	56,873	(56,873)	-	-
Lapse of options	-	(165,323)	165,323	-
Transfers upon disposal of investments	-	47,500	(47,500)	-
Balance at 31 December 2022	<u>38,370,001</u>	<u>969,858</u>	<u>(33,313,570)</u>	<u>6,026,289</u>
Consolidated	Issued Capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	38,370,001	1,029,262	(33,635,379)	5,763,884
Loss after income tax expense for the period	-	-	(317,888)	(317,888)
Other comprehensive income for the period, net of tax	-	(359,834)	-	(359,834)
Total comprehensive income for the period	-	(359,834)	(317,888)	(677,722)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 11)	2,426,280	-	-	2,426,280
Share-based payments (note 20)	-	80,876	-	80,876
Options issued for capital raising services	(18,750)	18,750	-	-
Shares issued upon exercise of options	160,000	(160,000)	-	-
Transfer of expired and cancelled options	-	(369,900)	369,900	-
Balance at 31 December 2023	<u>40,937,531</u>	<u>239,154</u>	<u>(33,583,367)</u>	<u>7,593,318</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Strategic Energy Resources Limited
Statement of cash flows
For the period ended 31 December 2023



	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(409,114)	(322,059)
Receipt from sale of 2-year Option to Purchase Cowal Projects	-	300,000
Interest received	11,284	3,026
	<u>(397,830)</u>	<u>(19,033)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Investment in term deposit	-	(30,000)
Payments for exploration and evaluation	(960,792)	(603,882)
Payments for security deposits	(20,000)	(500)
Proceeds from disposal of investments	-	45,925
Contributions from joint operations - net of exploration expenses	299,730	-
	<u>(681,062)</u>	<u>(588,457)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issue of shares (net of cost)	1,440,800	875,000
	<u>1,440,800</u>	<u>875,000</u>
Net cash from financing activities		
Net increase in cash and cash equivalents	361,908	267,510
Cash and cash equivalents at the beginning of the financial period	975,061	604,809
	<u>1,336,969</u>	<u>872,319</u>
Cash and cash equivalents at the end of the financial period		

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

Note 1. General information

The financial statements cover Strategic Energy Resources Limited as a Consolidated Entity consisting of Strategic Energy Resources Limited and the entities it controlled at the end of, or during, the period 31 December 2023. The financial statements are presented in Australian dollars, which is Strategic Energy Resources Limited's functional and presentation currency.

Strategic Energy Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 100 Albert Road
South Melbourne, VIC 3205

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 15 March 2024. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

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

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The working capital position as at 31 December 2023 of the Consolidated Entity results in an excess of current assets over current liabilities of \$1,601,844 (30 June 2023: \$422,500). The Consolidated Entity made a loss after tax of \$317,888 during the half-year ended 31 December 2023 (31 December 2022 loss: \$240,794) and had operating & investing cash outflows of \$1,078,892 (31 December 2022: \$607,490). The cash balances as at 31 December 2023 was \$1,336,969 (30 June 2023: \$975,061). The continuing viability of the Consolidated Entity and its ability to continue as a going concern is dependent upon the Consolidated Entity being successful in its continuing efforts in exploration projects and accessing additional sources of capital to meet the commitments within one year from the date of signing the financial report.

The Consolidated Entity is involved in exploration for minerals in Australia. Management has prepared a cash flow forecast using their best estimate assumptions covering at least 12 months from the report date, which includes need for additional capital raising. To meet these funding requirements as and when they fall due the Consolidated Entity may take appropriate steps, including a combination of:

- Raising additional capital through the Company's existing placement capacity;
- Liquidating some or all of its investments;
- Subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled; and
- Meeting its obligations by farm-out of the Consolidated Entity's exploration interests.

Note 2. Material accounting policy information (continued)

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Should the Consolidated Entity be unable to obtain the funding as described above, there is a material uncertainty as to whether the Consolidated Entity will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Consolidated Entity be unable to continue as a going concern. Having assessed the potential uncertainties relating to the Consolidated Entity's ability to effectively fund exploration activities and operating expenditures, the Directors believe that the Consolidated Entity will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Note 3. Operating segments

Identification of reportable operating segments

During the current financial year the Consolidated Entity operated in one segment being an explorer of base precious metals

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In the current year the board reviews the Consolidated Entity as one operating segment being mineral exploration within Australia.

Revenue by geographical area

All assets and liabilities and operations are based in Australia.

Note 4. Other income

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Sundry income	42,712	-
Gains from sale of tenements (Note 7)	213,458	-
Income from option to purchase Cowal projects	-	300,000
	<hr/>	<hr/>
Other income	256,170	300,000
	<hr/> <hr/>	<hr/> <hr/>

Income from option to sell Cowal tenements

On 26 September 2022, the Company and Evolution Mining Limited (ASX: EVN or Evolution) signed an agreement for a 2-year Option to purchase EL9057 and EL9368 (Tenements) which are owned by the Company (located nearby to Evolution's operating Cowal Gold Mine). The purchase consideration for the 2-year Option period is \$300,000 which was received in October 2022 and has been recognized as other income.

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 December 2023	30 June 2023
	\$	\$
Cash at bank	1,037,239	975,061
Cash at bank, held in joint operations	299,730	-
	<hr/>	<hr/>
	1,336,969	975,061
	<hr/> <hr/>	<hr/> <hr/>

Note 6. Current assets - Other receivables

	Consolidated	
	31 December	30 June 2023
	2023	2023
	\$	\$
Other receivables	329,999	90,208
Deposits and interest accrued	10,108	-
GST receivable	228,879	6,906
	<u>568,986</u>	<u>97,114</u>

Other receivables include reimbursement by the Queensland Government Collaborative Exploration Initiative grant and the NSW Government New Frontiers Exploration Program grant for \$330k. The remaining amount relates to the amount receivable from the joint operations.

Note 7. Current assets - non-current assets classified as held for sale

	Consolidated	
	31 December	30 June 2023
	2023	2023
	\$	\$
Exploration assets held for sale	<u>20,665</u>	<u>443,563</u>

On 16 May 2023, the Company announced sale of East Tennant Project to Middle Island Resources Limited. This transaction includes tenements EL32109, EL32306, EL32307, EL32617, EL32760 and EL32809, which are located near to Middle Island's existing exploration projects. Subject to completion of conditions in Sale and Purchase Agreement, Middle Island will purchase 100% of SER's East Tennant Projects for 18,240,000 fully paid ordinary MDI shares, for a deemed issue price of \$0.035 (3.5 cents). Tenements related to East Tennant Project amounting to \$424,006 has been classified as exploration assets held for sale. This transaction was completed on 17 July 2023 and the Company recognised a gain of \$213,458 during the period.

On 26 September 2022, the Company signed an Option Agreement with Evolution Mining Limited (ASX: EVN or Evolution) for a 2-year Option to purchase EL9368 (Tenement) which is located nearby to Evolution's operating Cowal Gold Mine. Evolution has a 2-year Option to purchase a 100% interest in EL9057 and EL9368 Tenement and associated information from SER. At the date of this report, Evolution continues to progress an assessment of historical datasets covering tenement EL9368. As on 31 December 2023, costs associated with EL9368 tenement amounting to \$20,665 has been classified as exploration assets held for sale.

Note 8. Non-current assets - Financial assets at fair value through other comprehensive income

	Consolidated	
	31 December 2023 \$	30 June 2023 \$
Equity investments in quoted equity shares	331,661	53,095
Equity investments in Ionic Industries Limited	654,000	654,000
	<u>985,661</u>	<u>707,095</u>

Reconciliation

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

Opening fair value	707,095	802,756
Additions of investment in Middle Island Resources Ltd	638,400	-
Disposal of investment in Vox Royalty Corp	-	(45,925)
Revaluation decrements	(359,834)	(49,736)
Closing fair value	<u>985,661</u>	<u>707,095</u>

Equity investments which are not held for trading, and which the Consolidated Entity has irrevocably elected at initial recognition to recognise as financial assets at fair value through other comprehensive income.

Refer to note 13 for further information on fair value measurement.

Investments in Middle Island Resources Ltd (ASX: MDI)

At the reporting date, the Consolidated Entity hold 18,240,000 ordinary shares in MDI, which are recognised at their fair value of \$0.0160.

Investments in Resolution Minerals Ltd (ASX: RML)

At the reporting date, the Consolidated Entity hold 14,273,778 ordinary shares in RML, which are recognised at their fair value of \$0.0030.

Gasfields Limited

The Consolidated Entity continues to hold 20,000,000 fully paid ordinary shares in Gasfields Limited at 31 December 2023. During the year 2021 the ASX delisted GFS from the ASX and therefore management has continued to carry the investment at nil value as no information has been obtained which indicates a return of value to shareholders. There has been no further changes during period ended 31 December 2023.

Note 9. Non-current assets - exploration and evaluation assets

	Consolidated	
	31 December 2023 \$	30 June 2023 \$
Exploration and evaluation assets - at cost	<u>4,831,579</u>	<u>4,478,570</u>

Note 9. Non-current assets - exploration and evaluation assets (continued)

Reconciliations

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

	Exploration and evaluation assets \$
Consolidated	
Balance at 1 July 2023	4,478,570
Expenditure during the year	353,009
Balance at 31 December 2023	<u>4,831,579</u>

Note 10. Current liabilities - Other liabilities

	Consolidated 31 December 2023 \$	30 June 2023 \$
Advances for share capital	-	935,478
Advances received for joint venture operations	98,760	-
	<u>98,760</u>	<u>935,478</u>

On 27 June 2023, the Company announced a capital raising which would raise up to \$2.5m by way of placement where it would issue 178,571,428 fully paid ordinary shares at \$0.014 (1.4 cents) per fully paid ordinary share. The balance at 30 June 2023 represent the advances received in relation to Tranche 1 of the Placement, which was completed on 3 July 2023 by issuing 71,428,571 fully paid ordinary shares. Refer to Note 11 for further details.

Note 11. Equity - issued capital

	31 December 2023 Shares	30 June 2023 Shares	Consolidated 31 December 2023 \$	30 June 2023 \$
Ordinary shares - fully paid	<u>485,815,140</u>	<u>296,743,712</u>	<u>40,937,529</u>	<u>38,370,001</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2023	296,743,712	38,370,001
Issue of fully paid ordinary shares	3 July 2023	71,428,571	\$0.0140 1,000,000
Issue of fully paid ordinary shares	3 July 2023	2,500,000	\$0.0200 50,000
Shares issued on options exercised	1 September 2023	6,000,000	\$0.0200 120,000
Issue of fully paid ordinary shares	1 September 2023	107,142,857	\$0.0140 1,500,000
Shares issued on options exercised	12 September 2023	2,000,000	\$0.0200 40,000
Capital raising costs		-	\$0.0000 (142,472)
Balance	31 December 2023	<u>485,815,140</u>	<u>40,937,529</u>

Note 12. Equity - reserves

	Consolidated	
	31 December 2023	30 June 2023
	\$	\$
Financial assets at fair value through other comprehensive income reserve	109,528	469,362
Options reserve	129,626	559,900
	<u>239,154</u>	<u>1,029,262</u>

Movements in reserves

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

Consolidated	Options reserve \$	Financial assets at fair value reserve \$	Total \$
Balance at 1 July 2023	559,900	469,362	1,029,262
Options issued for capital raising services	18,750	-	18,750
Share based payments	80,876	-	80,876
Transfer of expired and cancelled options to accumulated losses	(369,900)	-	(369,900)
Transfer to share capital on exercise of options	(160,000)	-	(160,000)
Revaluation decrements on financial assets at fair value through other	-	(359,834)	(359,834)
Balance at 31 December 2023	<u>129,626</u>	<u>109,528</u>	<u>239,154</u>

Note 13. Fair value measurement

Fair value hierarchy

The following tables detail the Consolidated Entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 December 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Equity investments in quoted equity shares	331,661	-	-	331,661
Equity investments in unquoted equity shares	-	-	654,000	654,000
Total assets	<u>331,661</u>	<u>-</u>	<u>654,000</u>	<u>985,661</u>
Consolidated - 30 June 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Equity investments in quoted equity shares	53,095	-	-	53,095
Equity investments in unquoted equity shares	-	-	654,000	654,000
Total assets	<u>53,095</u>	<u>-</u>	<u>654,000</u>	<u>707,095</u>

Note 13. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 3

The Consolidated Entity holds 87,155,625 shares in Ionic Industries Limited (an unlisted company), which were valued at \$654,000 in December 2020. The valuation of this investment was made with reference to a material capital raising completed on an arm's length basis at the initial valuation date. However, there were no additional observable price inputs during the period, hence the investment is continued to be classified as Level 3 at 31 December 2023. Management will continue to assess the fair value of this investment in future.

Accounting policy for fair value measurement

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 14. Contingent liabilities

The Consolidated Entity had no contingent liabilities at 31 December 2023 and 30 June 2023.

Note 15. Commitments

	Consolidated	
	31 December	30 June 2023
	2023	
	\$	\$
<i>Exploration Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,188,030	1,633,543
Two to five years	4,975,675	4,216,167
	<u>7,163,705</u>	<u>5,849,710</u>

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

In order to maintain current rights to tenure to exploration and mining tenements, the Consolidated Entity has the above exploration expenditure requirements up until expiry of leases. These obligations, which may be varied from time to time and which are subject to renegotiation upon expiry of the lease are not provided for in the financial statements as payable.

Within the mineral industry it is common practice for companies to farm-out, transfer or sell a portion of their exploration rights to third parties or to relinquish some exploration and mining tenements altogether, and as a result obligations will be significantly reduced or extinguished altogether. The farm-in partners also expended funds on the permits during the year which can result in work programs for certain years being met.

Note 16. Related party transactions

Parent entity

Strategic Energy Resources Limited is the parent entity.

Joint operations

Interests in joint operations are set out in note 17.

Note 16. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Payment for goods and services:		
Payment for geological services*	36,000	49,896
Payment for rent**	4,800	4,800

* During the year the Company made payments to Diplomatic Exploration Pty Ltd, a related entity of Mr Stuart Rechner. The entity provided exploration services to the Company and the Consolidated Entity throughout the year.

** During the year the Company made payments to Pillage Investments Pty Ltd, a related entity of Mr. David DeTata. The entity provided rental services to the Company and the Consolidated Entity at market rates.

Receivable from and payable to related parties

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

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

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

Note 17. Farm-outs in the exploration and evaluation phase

The Consolidated Entity had interests in unincorporated joint operations at 31 December 2023 as follows;

The Consolidated Entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. Information relating to joint operations that are material to the Consolidated Entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2023	30 June 2023
		%	%
Myall Creek (EL6140) - South Australia	Australia	100.00%	100.00%
Roopena (EL5898) - South Australia	Australia	100.00%	100.00%
Saxby (EPM15398) - Queensland	Australia	100.00%	100.00%
Saxby North (EPM27378) - Queensland	Australia	100.00%	100.00%
Saxby 1 (EPM27586) - Queensland	Australia	100.00%	100.00%
Saxby 2 (EPM27587) - Queensland	Australia	100.00%	100.00%
Saxby 3 (EPM27588) - Queensland	Australia	100.00%	100.00%
Saxby 4 (EPM27638) - Queensland	Australia	100.00%	100.00%
Saxby 5 (EPM27676) - Queensland	Australia	100.00%	100.00%
Saxby 6 (EPM28180) - Queensland	Australia	100.00%	100.00%

Myall Creek Project – on 21 June 2019, the Company entered into a farm-out agreement with FMG Resources Pty Ltd, a subsidiary of Fortescue Metals Group Limited (ASX: FMG), for drilling at Myall Creek (EL6140 and EL5898). FMG will be the operator during the period and committed to spend \$1.5m on exploration over 5 years, including a minimum of 1500m of drilling at Myall Creek to earn an 80% interest in the project

Note 17. Farm-outs in the exploration and evaluation phase (continued)

On 23 June 2023, the Company announced that it entered into a Farm-In and Joint Venture Agreement with FMG Resources Pty Ltd ("Fortescue"), a wholly owned subsidiary of Fortescue Metals Group Limited (ASX: FMG) to explore the Canobie Project in northwest Queensland. The FJV requires FMG to spend \$8M to earn an 80% joint venture interest. Importantly, the JV requires the drilling of 6,000m of basement ensuring the testing of many different Nickel-Copper and Copper-Gold targets. Following the FMG JVA announcement, SER completed a capital raise of \$2.5m. The Canobie Project consisting of EPM 15398, EPM 27378, EPM 27586, EPM 27587, EPM 27588, EPM 27638, EPM 27676, and EPM 28180. Key terms include:

- FMG may earn a 51% interest in the Canobie Project (Stage 1 Interest) by incurring \$4M in expenditure on exploration which will include a minimum of 3,000m of basement drilling within the first three years. This includes a minimum obligation of \$2.5M in expenditure on exploration within the first 2 years.
- During the Stage 1 Period SER will operate and conduct all exploration activities as directed by the Exploration Committee which will comprise two members from each Party.
- FMG may earn an additional 29% interest (for a total interest of 80%) (Stage 2 Interest) by incurring an additional \$4M in expenditure on exploration over an additional 3 years which shall include a minimum of 3,000m of basement drilling (Stage 2 Period)
- Co-contribution to expenditure may occur after FMG earns the Stage 1 Interest (FMG 51%: SER 49%) or the Stage 2 Interest (FMG 80%: SER 20%). If SER elects not to contribute, its JV Interest will be diluted according to industry formula.

	31 December 2023	31 December 2022
	\$	\$
Current Assets		
Cash and cash equivalents	299,730	-
Trade and other receivables	228,879	-
	<u>528,609</u>	<u>-</u>
	Consolidated	Consolidated
	31 December 2023	31 December 2022
	\$	\$
Current Liabilities		
Trade and other payables	80,895	-
Other current liabilities	98,760	-
	<u>179,655</u>	<u>-</u>

Note 18. Events after the reporting period

On 14 March 2024, the Company relinquished the exploration licence for tenement EL9373 Nymagee in NSW.

No other matter or circumstance has arisen since 31 December 2023 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 19. Loss per share

	Consolidated	Consolidated
	31 December 2023	31 December 2022
	\$	\$
Loss after income tax attributable to the Owners of Strategic Energy Resources Limited	<u>(317,888)</u>	<u>(240,794)</u>

Note 19. Loss per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	446,093,867	216,526,928
Weighted average number of ordinary shares used in calculating diluted earnings per share	446,093,867	216,526,928
	Cents	Cents
Basic earnings per share	(0.07)	(0.11)
Diluted earnings per share	(0.07)	(0.11)

Note 20. Share-based payments

On 7 September 2023, the Company issued 22,000,000 unlisted options, at nil exercise price, expiring on 23 November 2026.

The grant of the share options was approved by shareholders at the Annual General Meeting held on 16 November 2023.

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

- PC 1 Options are subject to Absolute Total Shareholder Return ("ATSR") which vest based on the Company's share price in the period to 31 July 2024 compared to the Company's June 2023 volume weighted average price ("VWAP"),
- PC 2 and PC 3 Options have performance hurdles incorporated for various proportions of each employees' award

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

31 December 2023

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
04/12/2020	04/12/2023	\$0.0000	9,000,000	-	-	(9,000,000)	-
30/11/2022	30/11/2025	\$0.0000	9,500,000	-	(8,000,000)	-	1,500,000
07/06/2023	16/11/2026	\$0.0000	-	22,000,000	-	-	22,000,000
07/09/2023	06/09/2026	\$0.0210	-	3,000,000	-	-	3,000,000
07/09/2023	06/09/2026	\$0.0000	-	3,000,000	-	-	3,000,000
			18,500,000	28,000,000	(8,000,000)	(9,000,000)	29,500,000

31 December 2022

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
12/12/2019	12/12/2022	\$0.0000	2,000,000	-	-	(2,000,000)	-
12/08/2020	12/12/2022	\$0.0000	200,000	-	-	(200,000)	-
04/12/2020	04/12/2023	\$0.0000	9,000,000	-	-	-	9,000,000
04/12/2020	12/12/2022	\$0.0000	600,000	-	-	(600,000)	-
30/11/2021	30/11/2024	\$0.0000	6,333,333	-	(2,133,333)	(4,200,000)	-
08/02/2022	30/11/2024	\$0.0000	500,000	-	(500,000)	-	-
30/11/2022	30/11/2025	\$0.0000	-	19,500,000	-	-	19,500,000
			18,633,333	19,500,000	(2,633,333)	(7,000,000)	28,500,000

Note 20. Share-based payments (continued)

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
07/09/2023	16/11/2026	\$0.0130	\$0.0000	100.00%	4.17%	\$0.013
10/10/2023	25/08/2025	\$0.0150	\$0.0150	100.00%	-	\$0.015

Strategic Energy Resources Limited
Directors' declaration
31 December 2023



In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'Stuart Rechner', is written over a horizontal line.

Mr Stuart Rechner
Executive Chair

15 March 2024

Independent Auditor's Review Report

To the Members of Strategic Energy Resources Limited

Report on the half year financial report

Qualified Conclusion

We have reviewed the accompanying half year financial report of Strategic Energy Resources Limited (the Company) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, except for the effects of the matter described in the *Basis for Qualified Conclusion* section, nothing has come to our attention that causes us to believe that the accompanying 31 December 2023 financial report of Strategic Energy Resources Limited does not:

- a giving a true and fair view of Strategic Energy Resources Limited's financial position as at 31 December 2023 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Qualified Conclusion

Included within Note 6 of the half-year report, the Consolidated Entity continues to value its investment in unlisted public company Ionic Industries Limited at an amount of \$654,000. Due to the lack of information available in the current period as outlined in Note 6, we have been unable to obtain sufficient appropriate audit evidence to support the valuation of this level 3 investment under AASB 13 Fair Value Measurement as at 31 December 2023.

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$317,888 during the half year ended 31 December 2023 and had operating and investing cash outflows of \$1,078,891. As stated in Note 2, these events or conditions along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J C Rubelli
Partner – Audit & Assurance
Perth, 15 March 2024