



STRATEGIC ENERGY RESOURCES LIMITED

ABN 14 051 212 429

**HALF YEAR REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

Strategic Energy Resources Limited

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31 December 2016



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Strategic Energy Resources Limited
Corporate directory
31 December 2016



Directors	Anthony Rechner (Technical Director) Peter Armitage (Non-Executive Director) Stuart Rechner (Non-Executive Director)
Company secretary	Melanie Leydin
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205 Ph: 03 9692 7222 Fax: 03 9077 9233
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 Level 1, 333 Collins Street Melbourne, VIC 3000 Ph: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd The Rialto Level 30, 525 Collins Street Melbourne VIC 3000
Stock exchange listing	Strategic Energy Resources Limited shares are listed on the Australian Securities Exchange (ASX code: SER)
Website	www.strategicenergy.com.au

MINERAL EXPLORATION

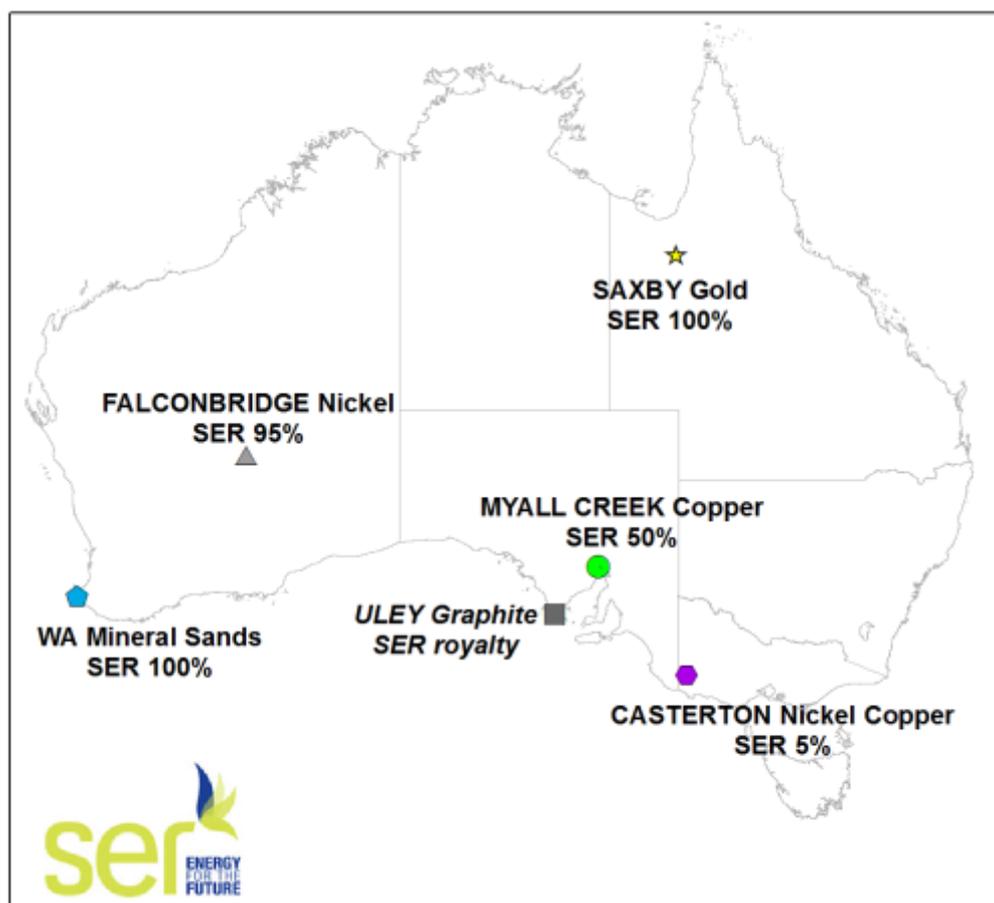


Figure 1: SER Exploration Projects

SAXBY GOLD PROJECT QUEENSLAND (SER 100%)

During the half year, SER completed the acquisition of the Saxby Gold Project where historic drilling includes high grade intersections of 17m @ 6.75g/t Au and 15m @ 9.09g/t Au in two holes 190m apart.

SER conducted a detailed review of previous exploration at Saxby and concluded that previous drilling did not adequately test the potential demonstrated by the high grade intersections. Previous drilling failed to fully test structural and geophysical targets due to deviation (pronounced steepening) of inclined drill holes.

SER plans to drill several vertical drill holes surrounding the best intersections to test the extent and continuity of high grade gold at Saxby. Vertical holes are much less likely to deviate to the extent experienced with the earlier inclined drilling.



Figure 2: The Saxby Gold Project is located 165km NNE of Cloncurry in the Gulf Country of NW Queensland

At Saxby, SER is targeting gold mineralisation hosted in basement rocks of the Eastern Succession of the Mt Isa Province buried beneath younger sedimentary cover of the Carpentaria Basin. The Eastern Succession has a long and proven record of mineral endowment.

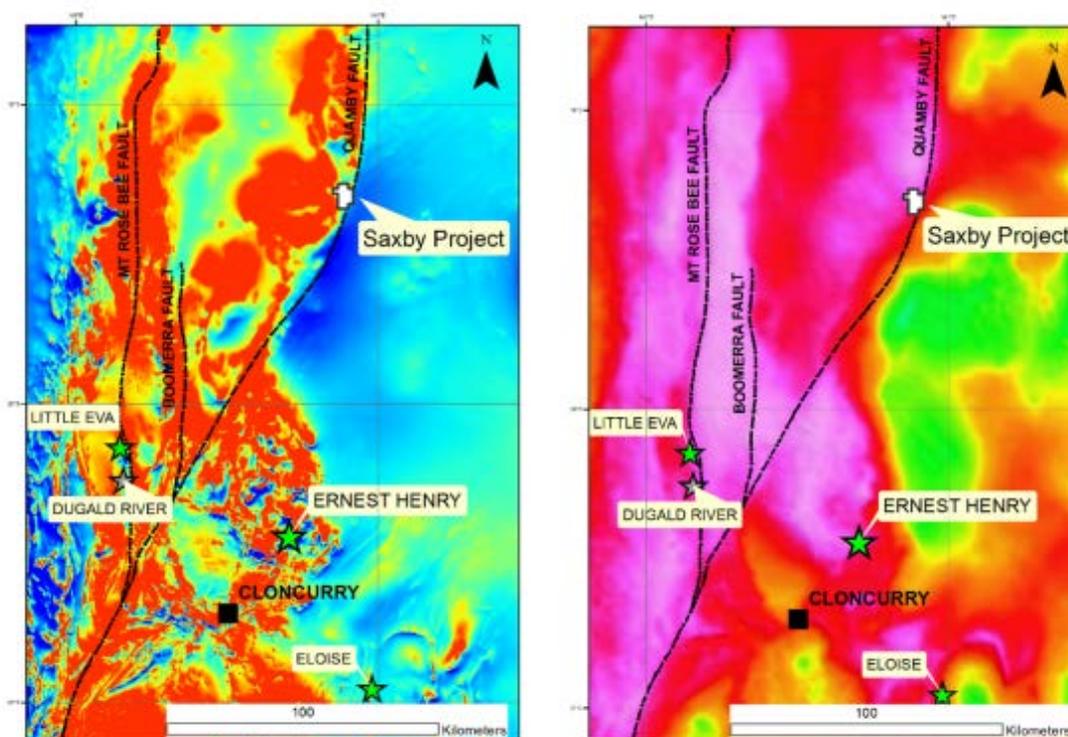


Figure 3: Regional Geophysics showing magnetics (left) and gravity (right)

Saxby Exploration History

In 2008, previous explorers Anglo American / Falcon Minerals were targeting magmatic Nickel - Copper - Platinum Group Elements (Ni-Cu-PGE) mineralisation by drill testing bedrock electromagnetic (EM) conductors when discovery hole SXDD005 hit high grade gold. Assays include 17m @ 6.75g/t gold from 631m to 648m.¹

In 2010, farm-in partner AngloGold Ashanti drilled five holes (SXDD011-015) in the vicinity of SXD005. The best results came from hole SXDD014 including 15m @ 9.09 g/t gold.²

Finally, in 2012, Falcon Minerals drilled four further holes (SXDD0016-0019) with disappointing results. The best result was from hole SXDD016 which included 1m @ 26.1 g/t gold.³ Falcon noted that “All holes in the drill program steepened significantly and this is a technical issue that needs to be resolved before drilling recommences.”⁴

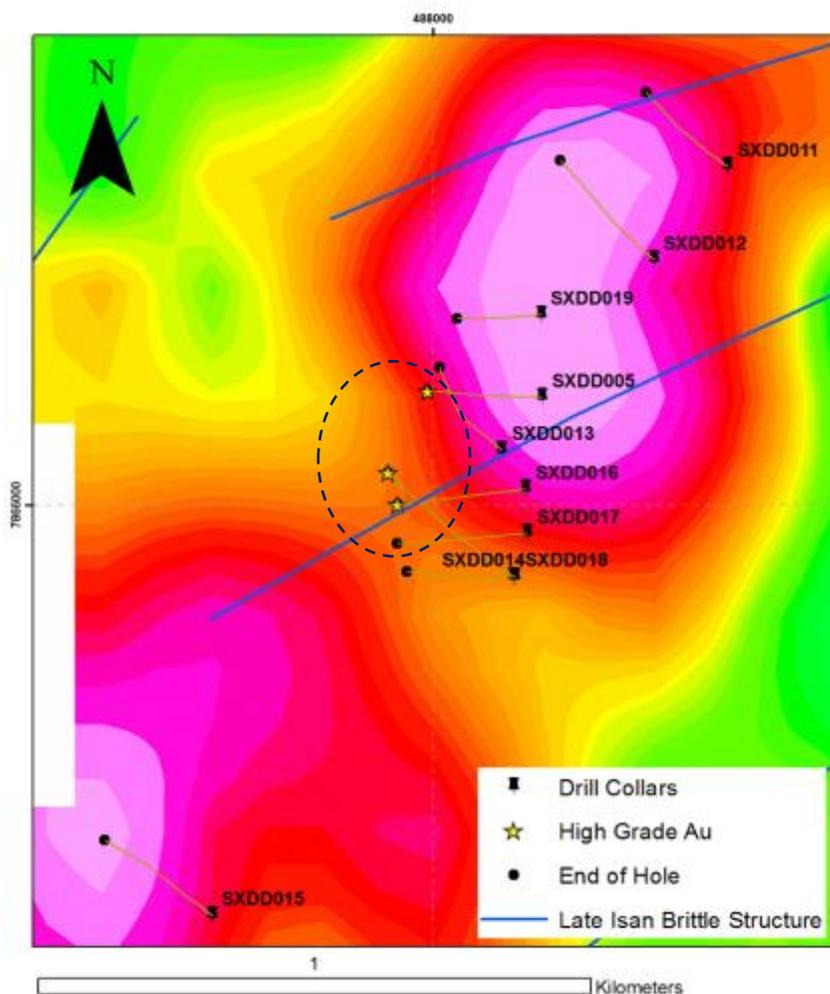


Figure 4: Previous drilling at Saxby over EM response with high grade gold hits (yellow stars) and location of SER’s proposed 2017 vertical drill holes in black dashed oval

¹ See Falcon Minerals Ltd (ASX: FCN) ASX Announcement of 28 January 2009: www.asx.com.au/asxpdf/20090128/pdf/31fqydr86ntvqm.pdf

² See FCN ASX Announcements of 5 November 2010 (initial results) and 12 January 2011 (subsequent re-assay): www.asx.com.au/asxpdf/20101104/pdf/31tp5ss0ztdnd.pdf and www.asx.com.au/asxpdf/20110112/pdf/41w4q8xyrpzv6h.pdf

³ See FCN ASX Announcement of 17 August 2012: www.asx.com.au/asxpdf/20120817/pdf/4282pm6klvrdgg.pdf

⁴ See FCN ASX Announcement of 17 July 2012: <http://www.asx.com.au/asxpdf/20120717/pdf/427g1cwpkgbpm0.pdf>

WA HEAVY MINERAL SANDS EXPLORATION WESTERN AUSTRALIA (SER 100%)

During the half year, SER completed a significant body of work at Ambergate (the first of our five WA Heavy Mineral Sands projects) which resulted in the definition of a maiden JORC 2012 Inferred Mineral Resource Estimate in early 2017.

Work included the compilation and analysis of over 1000 historic drill holes and flying a high resolution aerial imagery and elevation data survey to create a high accuracy digital elevation model. Metallurgical test work and landholder negotiations at Ambergate are also well advanced.

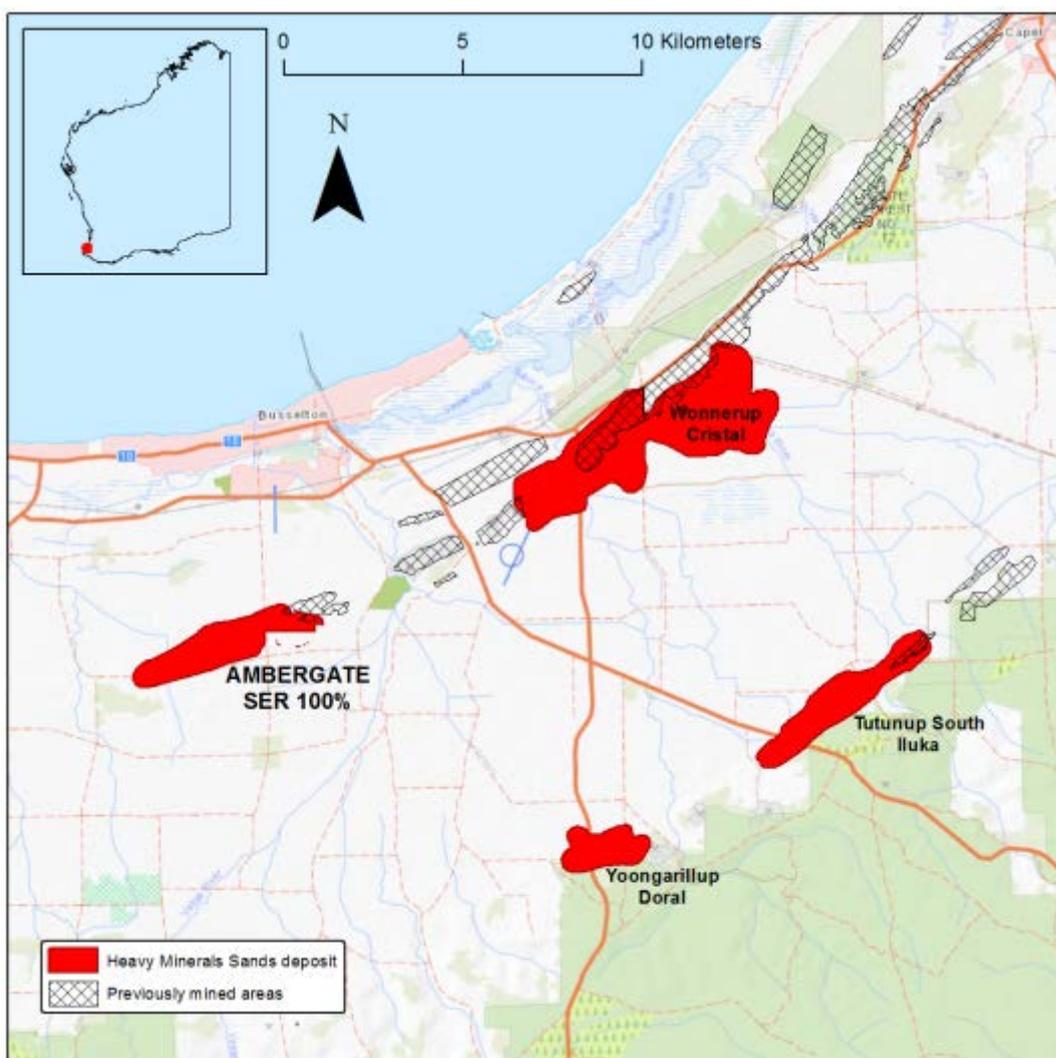


Figure 5: Ambergate Heavy Mineral Sands Project location with nearby mines

MYALL CREEK COPPER-GOLD PROJECT

SOUTH AUSTRALIA (EL 5010 SER 75%, EL 5011 SER 50%, EL5898 SER 100%)

The Myall Creek Copper-Gold Project covers a large area of the highly prospective Olympic Copper-Gold Province of the eastern Gawler Craton. The Myall Creek Project includes a 15km zone with anomalous copper shown in historic drilling.

During the half year, in keeping with SER's counter-cyclical strategy of acquiring high-quality exploration projects for low cost in commodities that are currently unfashionable, SER pegged, and was granted, further ground at Myall Creek.

The new tenement (EL5898) lies immediately SW of SER's Myall Creek Copper-Gold Project and is an area SER has long considered prospective for Iron Oxide Copper Gold (IOCG) mineralisation in Proterozoic basement. The area has been continuously held by various companies since 1978. SER seized the ground after it was relinquished by former holder St Barbara Ltd in 2016.

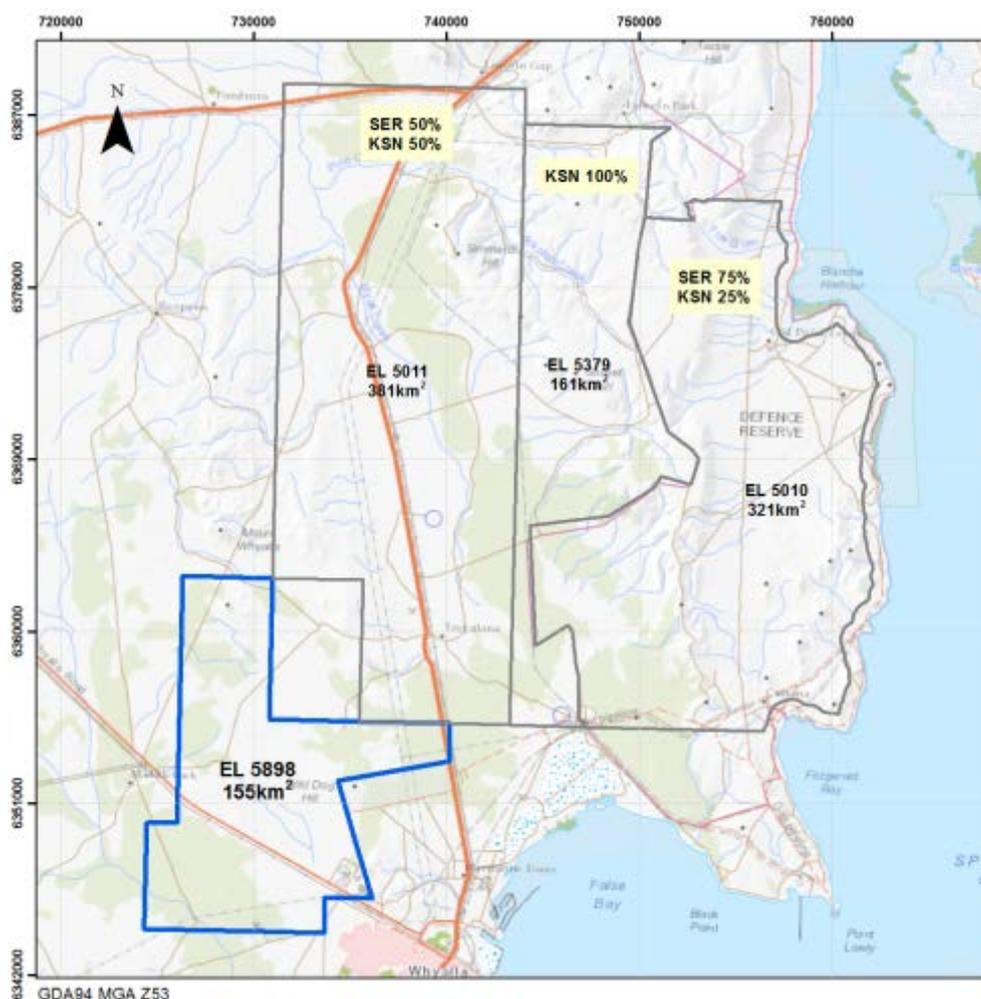


Figure 6: EL5898 Location SW of SER's Myall Creek Cu-Au Project

FALCON BRIDGE NICKEL PROJECT WESTERN AUSTRALIA (SER 95%)

The Falcon Bridge nickel project covers an area of 138km² in the north east of Western Australia's Archaean Yilgarn Craton. Falconbridge is located 48km along / en echelon to an ultra-mafic bulge where drilling by others has encountered nickel sulphides. SER is targeting Komatiitic nickel sulphide mineralisation in a mafic / ultramafic sequence. SER is currently considering joint venture opportunities.

CASTERON (SER 5%) EL 5040 NICKEL-COPPER PROJECT, VICTORIA

The Casteron nickel-copper project is located 350 kilometres west of Melbourne, Victoria. During the half year, joint venture partner Encounter Minerals completed geochemical sampling.

INTERESTS IN MINING TENEMENTS

Mining Tenement	Location	Beneficial Percentage held	Interest acquired/farm-in or disposed/farm-out during the quarter
EL 5010	South Australia	75%	-
EL 5011	South Australia	50%	-
EL 5898	South Australia	100%	Granted 12 December 2016
E38/1970	Western Australia	95%	-
EL 5040	Victoria	5%	-
EPM15398	Queensland	100%	-
E70/4793	Western Australia	100%	-
E70/4797	Western Australia	100%	-
E70/4799	Western Australia	100%	-
E70/4805	Western Australia	100%	-
E70/4807	Western Australia	100%	-
E70/4874	Western Australia	100%	N/A Application only

INVESTMENTS UPDATE

SER is the major shareholder of **Ionic Industries Ltd** and holds 87,155,625 Ionic shares (circa 18.95% of the issued capital). Ionic is Australia's first company focused on the commercialisation of graphene technologies. During the half year Ionic agreed the framework of a partnership with Clean TeQ (ASX:CLQ) for the development and commercialisation of Ionic's graphene-based water filtration technologies. For more details regarding Ionic see www.ionicindustries.com.au

SER is the major shareholder in **Valence Industries Ltd** (ASX: VXL) with 21,788,907 shares. Valence owns the Uley Graphite Mine in South Australia. Valence is currently in administration pending a recapitalisation proposal.

SER also holds investments in **Oil Basins Limited** (ASX: OBL) 1,300,000 shares and **Magnum Gas & Power Limited** (ASX: MPE) 20,000,000 shares.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Strategic Energy Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

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

Mr Peter Armitage
Mr Anthony Rechner
Mr Stuart Rechner

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- Exploration for minerals in Australia

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$256,874 (31 December 2015: \$4,401,985).

The net assets of the consolidated entity decreased by \$211,874 to \$534,672 as at 31 December 2016 (30 June 2016: \$755,546). The movements during the period was mainly due to management, exploration and general ongoing corporate costs. The consolidated entity had a net cash flow for the period of \$230,653 (31 December 2015: \$666,119). The cashflow movements mainly relate to exploration payments, corporate payments and monthly management fees.

The review of operations preceding this report outlines the exploration activities and corporate matters for the year.

Significant changes in the state of affairs

On 15 July 2016 the company issued 3,000,000 fully paid ordinary shares to Robo 3D Limited (formerly Falcon Minerals Limited) for the acquisition of the Saxby Project.

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

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 Peter Armitage
Director

22 February 2017
Melbourne

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525 Collins St
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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 2016, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner – Audit & Assurance

Melbourne, 22 February 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016



		Consolidated	
	Note	31 December 2016	31 December 2015
		\$	\$
Revenue	5	3,240	54,498
Expenses			
Impairment on AFS financial assets	6	(42,600)	(4,139,892)
Employee benefits expense		(50,500)	(163,813)
Corporate expenses		(115,883)	(133,187)
Exploration expenditure written off		(39,284)	-
Other expenses		(11,847)	(19,591)
Loss before income tax expense		(256,874)	(4,401,985)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Strategic Energy Resources Limited		(256,874)	(4,401,985)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of available-for-sale financial assets, net of tax		-	(217,889)
Other comprehensive income for the half-year, net of tax		-	(217,889)
Total comprehensive income for the half-year attributable to the owners of Strategic Energy Resources Limited		<u>(256,874)</u>	<u>(4,619,874)</u>
		Cents	Cents
Basic earnings per share	14	(0.08)	(1.26)
Diluted earnings per share	14	(0.08)	(1.26)

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 2016



		Consolidated	
	Note	31 December	30 June 2016
		2016	2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		230,653	640,660
Trade and other receivables		15,692	15,455
Other		16,324	5,960
Total current assets		<u>262,669</u>	<u>662,075</u>
Non-current assets			
Available for sale financial assets	6	25,200	67,800
Exploration and evaluation	7	272,602	100,695
Other		22,592	22,592
Total non-current assets		<u>320,394</u>	<u>191,087</u>
Total assets		<u>583,063</u>	<u>853,162</u>
Liabilities			
Current liabilities			
Trade and other payables		39,391	97,616
Total current liabilities		<u>39,391</u>	<u>97,616</u>
Total liabilities		<u>39,391</u>	<u>97,616</u>
Net assets		<u>543,672</u>	<u>755,546</u>
Equity			
Issued capital		28,878,224	28,833,224
Reserves	8	(23,612,656)	(23,404,656)
Accumulated losses		(4,721,896)	(4,673,022)
Total equity		<u>543,672</u>	<u>755,546</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 half-year ended 31 December 2016



Consolidated	Contributed equity \$	Retained profits \$	Reserves \$	Total equity \$
Balance at 1 July 2015	28,833,224	714,104	(23,198,192)	6,349,136
Loss after income tax expense for the half-year	-	(4,401,985)	-	(4,401,985)
Other comprehensive income for the half-year, net of tax	-	-	(217,889)	(217,889)
Total comprehensive income for the half-year	-	(4,401,985)	(217,889)	(4,619,874)
Balance at 31 December 2015	<u>28,833,224</u>	<u>(3,687,881)</u>	<u>(23,416,081)</u>	<u>1,729,262</u>

Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2016	28,833,224	(4,673,022)	(23,404,656)	755,546
Loss after income tax expense for the half-year	-	(256,874)	-	(256,874)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(256,874)	-	(256,874)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	45,000	-	-	45,000
Options expired	-	208,000	(208,000)	-
Balance at 31 December 2016	<u>28,878,224</u>	<u>(4,721,896)</u>	<u>(23,612,656)</u>	<u>543,672</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 half-year ended 31 December 2016



	Consolidated	
	31 December	31 December
	2016	2015
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	-	64
Payments to suppliers and employees (inclusive of GST)	(286,340)	(375,725)
	(286,340)	(375,661)
Interest received	3,240	7,622
Other revenue	-	33,765
Net cash used in operating activities	(283,100)	(334,274)
Cash flows from investing activities		
Payments for exploration and evaluation	(126,907)	(39,937)
Proceeds from repayment of borrowings	-	125,000
Loans advanced to other entities	-	(81,297)
Net cash from/(used in) investing activities	(126,907)	3,766
Cash flows from financing activities		
Net cash from financing activities	-	-
Net decrease in cash and cash equivalents	(410,007)	(330,508)
Cash and cash equivalents at the beginning of the financial half-year	640,660	996,627
Cash and cash equivalents at the end of the financial half-year	<u>230,653</u>	<u>666,119</u>

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 half-year. 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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 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 2016 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 principal 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.

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 2016 of the consolidated entity results in an excess of current assets over current liabilities of \$223,278 (30 June 2016: \$564,459). The consolidated entity made a loss after tax of 256,874 during the financial half-year (2015: \$4,401,985) and had net operating cash outflows of \$283,100 (2015: \$334,274). The cash balance as at 31 December 2016 was \$230,653 (30 June 2016: \$640,660).

The Directors continue to monitor the ongoing funding requirements of the consolidated entity through the preparation of cash flow forecasts prepared by management to ensure that the consolidated entity has sufficient funds to meet their commitments. The Directors are confident that sufficient funds can be secured if required by a combination of capital raising and sale of assets to enable the consolidated entity to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Note 3. Critical accounting judgements, estimates and assumptions

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

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 4. Operating segments

Identification of reportable operating segments

During the current financial period the consolidated entity operated in one segment being an explorer with an emphasis on heavy mineral sands exploration.

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. 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 5. Revenue

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Interest from Loan advanced to Ionic Industries Limited	-	13,239
Interest	3,240	7,430
Royalty revenues	-	64
Sundry Income	-	33,765
	<hr/>	<hr/>
Revenue	3,240	54,498
	<hr/> <hr/>	<hr/> <hr/>

Note 6. Non-current assets - Available for sale financial assets

	Consolidated	
	31 December	
	2016	30 June 2016
	\$	\$
Investment in Oil Basins Limited	5,200	7,800
Investment in Magnum Gas & Power Limited	20,000	60,000
	<u>25,200</u>	<u>67,800</u>

Reconciliation

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

Opening fair value	67,800	4,694,670
Revaluation decrements	-	(217,889)
Impairment of assets	(42,600)	(4,408,981)
	<u>25,200</u>	<u>67,800</u>

The consolidated entity currently holds 20,000,000 fully paid ordinary shares in Magnum Gas & Power Limited (ASX Code: MPE).

The consolidated entity currently holds 1,300,000 fully paid ordinary shares in Oil Basins Limited (ASX: OBL).

On 17 November 2015, Valence Industries Limited (ASX: VXL) announced that the Company's securities will be placed into a voluntary suspension subject to completion of a capital raising. As at the date of this report VXL's securities remained in suspension. On 8 January 2016 the consolidated entity's VXL shareholding was released from a 24 month ASX imposed Escrow. On 18 July 2016 VXL appointed a Voluntary Administrator. The directors have continued to value the investment in VXL at 31 December 2016 as Nil.

Investments in OBL and MPE held by the consolidated entity at fair value are valued in accordance AASB 13, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair values of the financial assets held have been determined by reference to the quoted price on the ASX at 31 December 2016.

The company's investment in Ionic Industries Limited has been valued at \$Nil in accordance AASB 13, using Level 3 of the fair value hierarchy- inputs for the asset or liability that are not based on observable market data (unobservable inputs) as the investment cannot be reliably measured.

The company value cannot yet be reliably determined with reference to an "Active Market" nor reference to any independent valuation of the Intellectual Property held by Ionic Industries. As such, The Directors have not placed a value on this investment until such time as the shares in Ionic can be valued through reference to a liquidity transaction of Ionic or a listing on the ASX or equivalent.

Note 7. Non-current assets - exploration and evaluation

	Consolidated	
	31 December	
	2016	30 June 2016
	\$	\$
Exploration and evaluation - at cost	<u>272,602</u>	<u>100,695</u>

Note 7. Non-current assets - exploration and evaluation (continued)

Reconciliations

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

Consolidated	Exploration \$	Total \$
Balance at 1 July 2016	100,695	100,695
Acquisitions	45,000	45,000
Expenditure during the half-year	126,907	126,907
	<hr/>	<hr/>
Balance at 31 December 2016	272,602	272,602
	<hr/> <hr/>	<hr/> <hr/>

Note 8. Equity - reserves

	Consolidated	
	31 December 2016	30 June 2016
	\$	\$
Demerger reserve	(23,848,081)	(23,848,081)
Options reserve	235,425	443,425
	<hr/>	<hr/>
	(23,612,656)	(23,404,656)
	<hr/> <hr/>	<hr/> <hr/>

Demerger reserve

The reserve is used to recognise the in-specie distribution to shareholders as a result of the demerger of Valence Industries Limited (previously Strategic Graphite Limited and Tarcoola Gold Limited) on 27 April 2012.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Demerger reserve \$	Option reserves \$	Total \$
Balance at 1 July 2016	(23,848,081)	443,425	(23,404,656)
Lapse of options	-	(208,000)	(208,000)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	(23,848,081)	235,425	(23,612,656)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note 9. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 10. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2016 and 30 June 2016.

Note 11. Commitments

	Consolidated	
	31 December	
	2016	30 June 2016
	\$	\$
<i>Exploration Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	655,000	752,784
One to five years	190,000	-
	845,000	752,784
	845,000	752,784

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 report and are payable.

Tenements held may also be subject to a royalty arrangement requiring royalties to be paid if certain milestones are met. Currently no tenements have yet reached a stage where royalties are payable and as such the amount cannot be estimated at this time.

Note 12. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December	
		2016	30 June 2016
		%	%
Strategic Nickel Pty Ltd	Australia	100.00%	100.00%
Strategic Sands Pty Ltd *	Australia	100.00%	100.00%

* Strategic Sands Pty Ltd was incorporated on 16 November 2015.

Note 13. Events after the reporting period

No matter or circumstance has arisen since 31 December 2016 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 14. Earnings per share

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Loss after income tax attributable to the owners of Strategic Energy Resources Limited	<u>(256,874)</u>	<u>(4,401,985)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>351,345,327</u>	<u>348,622,501</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>351,345,327</u>	<u>348,622,501</u>
	Cents	Cents
Basic earnings per share	(0.08)	(1.26)
Diluted earnings per share	(0.08)	(1.26)

Strategic Energy Resources Limited
Directors' declaration
31 December 2016



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 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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 black ink, appearing to read 'Peter Armitage', is written over a horizontal line.

Mr Peter Armitage
Director

22 February 2017
Melbourne

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF STRATEGIC ENERGY RESOURCES LIMITED

We have reviewed the accompanying half-year financial report of Strategic Energy Resources Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The Directors of Strategic Energy Resources Limited 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 controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 Strategic Energy Resources Limited consolidated entity's financial position as at 31 December 2016 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*. As the auditor of Strategic Energy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Strategic Energy Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

Without qualification to the conclusion expressed above, we draw attention to Note 2 of the financial statements which notes net operating cash outflows of \$283,100 and a closing cash balance of \$230,653 for the half year ending 31 December 2016. This condition, along with other matters set forth in Note 2 indicate the existence of a material uncertainty which may cast significant doubt regarding the company's ability to continue as a going concern. Therefore, the company may be unable to realize its assets and discharge its liabilities in the normal course of business, and at amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner - Audit & Assurance

Melbourne, 22 February 2017