

Strategic Energy Resources Limited

ABN 14 051 212 429

Half-year Financial Report - 31 December 2015

Strategic Energy Resources Limited

Contents

31 December 2015

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Strategic Energy Resources Limited
Corporate directory
31 December 2015

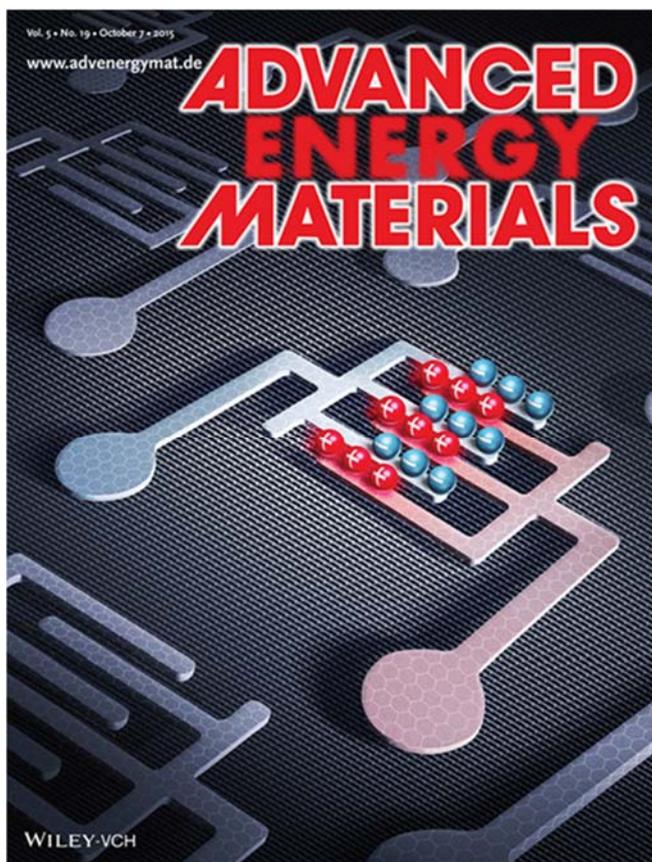
Directors	Anthony Rechner (Technical Director) Peter Armitage (Non-Executive Director) Stuart Rechner (Non-Executive Director)
Company secretary	Melanie Leydin
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205 Ph: 03 9692 7222 Fax: 03 9077 9233
Principal place of business	Level 4 100 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

IONIC INDUSTRIES (“SER 20%”)

Ionic Industries continues to forge ahead in the development of graphene-based nano-filtration and energy storage technologies. Seed funding has been raised and the bridging loan of \$425K from Strategic Energy Resources (SER) was repaid.

Ionic has made significant advances in its plans for graphene oxide production. As a result of its research, the Ionic technical team has significantly reduced the energy and materials required, boosted efficiency and reduced costs, increased the production capacity of the planned pilot plant, reduced waste and the high costs of waste disposal, making the whole process more cost effective, as well as greener. The redesigned pilot plant will be able to supply sufficient high quality graphene oxide to support the next stages of product development and customer engagement in each of the planned product lines.

The Monash research team, led by Associate Professor Mainak Majumder, has continued their success, building on the work achieved under successive Australian Research Council linkage grants with a string of significant, peer-reviewed publications, including the latest and potentially most significant: “Miniaturized Super-capacitors: Focused Ion Beam Reduced Graphene Oxide Super-capacitors with Enhanced Performance Metrics”, published in *Advanced Energy Materials*, 2015.



Current Edition Cover Featuring Ionic Industries' Research

Strategic Energy Resources Limited
Review of operations
31 December 2015

The work and results presented in the journal are the culmination of the research undertaken in our first ARC Linkage grant, which commenced in 2010/11. The results presented in the journal shows Ionic has the leading micro planar super-capacitor in the world – as measured by 4 parameters:

- Energy density (can sustain high power for longer)
- Response time (rapid power surge and faster charging)
- Capacitance (more energy in same volume)
- Resistance (less losses)

Ionic is currently in negotiations with several major international companies regarding the upscaling and production of our nano-filtration membranes and super-capacitors. Various samples of the membranes have been produced and sent to the interested parties for evaluation. The next step, which is in train now Ionic has funding, is to make a membrane module. The smallest industrial size module is 2.5 inch by 14 inches. Ionic is currently working on developing a membrane test facility. This will be capable of running live test for contaminants for various industries. The dairy and wine industries will be targeted in this initial testing. This test facility will be an important breakthrough as Ionic will be able to show investors and/or select industries a finished working prototype.

Work is progressing on a number of fronts with Ionic's energy storage technologies. The micro planar Supercapacitor R&D is progressing, but the biggest breakthrough is in how Ionic will manufacture the devices. Ionic's team at Monash is waiting for a new plate which will allow the printing of small features, 10 micron in size. This will enable the progress to making multi-layered sheets with many devices in series. The configuration of the connections will be the next step.

Ionic's Lithium-Sulphur technology is progressing rapidly and the coin cell prototypes have an ongoing test regime in place. Another potential development has come from applying the same proprietary technology Ionic's uses in its Li-S batteries to lead acid batteries. If the technology is successful with lead acid, then the technology will have potential for current mass energy storage markets.

Preparation for the listing of Ionic is progressing.

MINERAL EXPLORATION

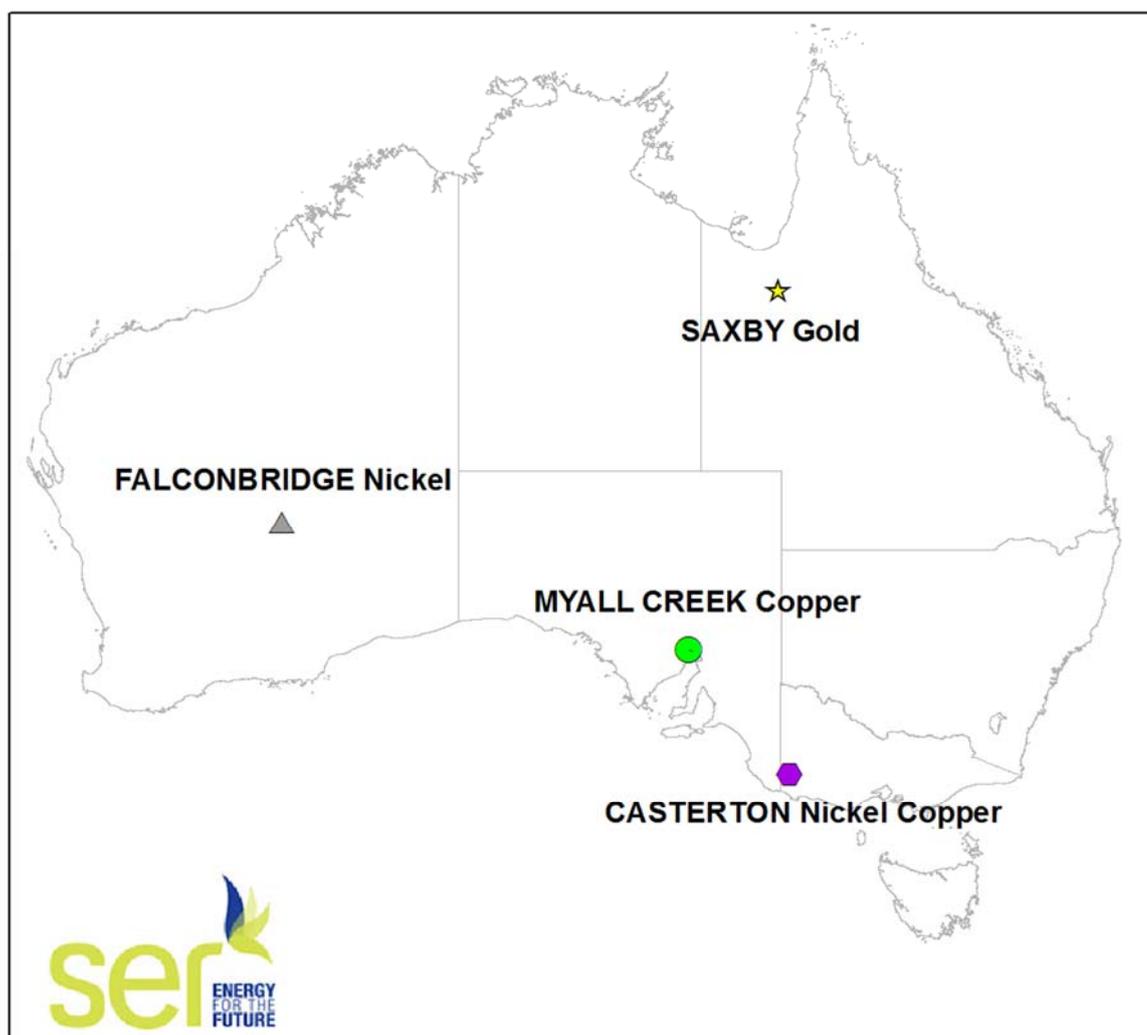
PURCHASE OF SAXBY GOLD PROJECT (QUEENSLAND)

During the half year, SER announced the purchase of the Saxby Gold Project from Falcon Minerals Limited (ASX: FCN). The sale is conditional upon Falcon obtaining approval from the Queensland Department of Natural Resources and Mines for the renewal of the relevant Exploration Permit for Minerals (EPM 15398) for a further 2 years.

The Saxby Project is located 165 km north northeast of Cloncurry in the Gulf Country of northwest Queensland. It contains precious and base metal prospects (including the Lucky Squid Gold prospect). These prospects are hosted by basement rocks of the Mt Isa Block that are buried beneath 400m of younger sedimentary cover.

The consideration for the acquisition is 3,000,000 SER shares together with a 1.5% net smelter return royalty in the event that mining commences at the Saxby Project.

EPM 15398 is scheduled to expire on 9 April 2016. The application for renewal has been lodged with the relevant department.



MYALL CREEK (SER 50%) AND SPENCER (SER 75%) COPPER PROJECTS, SOUTH AUSTRALIA

The Myall Creek and Spencer copper projects are located on the west coast of the Spencer Gulf and cover 702km² of the highly prospective Olympic Copper Gold Province of the eastern Gawler Craton. The Myall Creek Project includes a 15 kilometre zone with anomalous copper shown in historic drilling.

SER and joint venture partner Kingston Resources Limited (ASX: KSN) are targeting both Iron Oxide Copper Gold (IOCG) mineralisation in the Proterozoic basement as well as sediment-hosted mineralisation in the overlying sediments.

The northern Eyre Peninsula is the focus of a major investigation by the South Australian Department of State Development and the Deep Exploration Technologies Cooperative Research Centre. This will produce significant new datasets to advance exploration in the region.

FALCON BRIDGE (SER 95%) NICKEL PROJECT, WESTERN AUSTRALIA

The Falcon Bridge nickel project covers an area of 138km² in the north eastern corner of Western Australia's Archaean Yilgarn Craton. Falconbridge is located 48km along / en echelon to an ultra-mafic bulge where recent 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. Joint venture partner, Encounter Minerals has completed detailed reviews of the geophysics, geology and geochemistry of the target area and are in preliminary planning for a follow-up drill campaign.

CORPORATE UPDATE

SER is the major shareholder of Ionic Industries Ltd and holds 87,155,625 shares (19.58% of the issued capital) of Ionic. SER also is the major shareholder in Valence Industries Ltd (ASX: VXL) with 21,788,907 shares. SER will also benefit from a 1.5% royalty from any graphite sales of Uley graphite by Valence Industries.

SER also holds investments in Oil Basins Limited (ASX: OBL) 13,000,000 shares and Magnum Gas & Power Limited (ASX: MPE) 20,000,000 shares.

The Company continues to evaluate potential new projects.

Board Changes & CEO Departure

During the half year, Glenister Lamont retired from the board. Mr Lamont served on the board for approximately seven years.

Mr Stuart Rechner was appointed as a Director to the Company following Mr Lamont's retirement. Stuart is an experienced company director with a background in project generation and acquisition in Australia and overseas. He holds degrees in both geology and law and is a member of the Australian Institute of Geoscientists and the Australian Institute of Company Directors.

CEO Mr Mark Muzzin formally resigned as CEO of the Company to lead Ionic Industries as Managing Director/CEO. Mr Muzzin has provided SER two months' notice and his resignation will be effective on 5 March 2016.

INTERESTS IN MINING TENEMENTS

Mining Tenement	Location	Beneficial Percentage held	Interest acquired/farm-in during the quarter	Interest disposed/farm-out during the quarter
EL 5010	South Australia	75%	-	-
EL 5011	South Australia	50%	-	-
E38/1970	Western Australia	95%	-	-
EL 5040	Victoria	5%	-	-

Strategic Energy Resources Limited
Directors' report
31 December 2015

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 2015.

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 (appointed Non-executive Director on 19 October 2015)
Mr Glenister Lamont (resigned 19 October 2015)

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 \$4,401,985 (31 December 2014: \$610,315).

The net assets of the consolidated entity decreased by \$4,619,874 to 1,729,262 as at 31 December 2015 (30 June 2015: \$6,349,136). The significant movement during the period was largely due to the decrease in the carrying value of the company's investment in Valence Industries Limited (ASX: VXL) of approximately \$4.36 million. Working capital, being current assets less current liabilities, decreased by \$302,040 to \$934,164 (30 June 2015: \$1,236,204). The consolidated entity had a negative cash flow for the period of \$330,508 (31 December 2014: \$874,350).

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

Significant changes in the state of affairs

There were no 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 on the following page.

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

9 March 2016
Melbourne

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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 2015, 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



Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 9 March 2016

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 2015

		Consolidated	
	Note	31 December 2015	31 December 2014
		\$	\$
Revenue	5	54,498	31,279
Other income	6	-	2,200
Expenses			
Research & Development		-	(157,928)
Impairment on AFS financial assets	7	(4,139,892)	(148,000)
Employee benefits expense		(163,813)	(46,828)
Depreciation		-	(264)
Corporate expenses		(133,187)	(199,924)
Exploration expenditure written off		-	(40,321)
Other expenses		(19,591)	(50,529)
Loss before income tax expense		(4,401,985)	(610,315)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Strategic Energy Resources Limited		(4,401,985)	(610,315)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of available-for-sale financial assets, net of tax		-	2,941,502
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)	2,941,502
Total comprehensive income for the half-year attributable to the owners of Strategic Energy Resources Limited		(4,619,874)	2,331,187
		Cents	Cents
Basic earnings per share	15	(1.26)	(0.18)
Diluted earnings per share	15	(1.26)	(0.18)

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 2015

		Consolidated	
	Note	31 December	30 June 2015
		2015	2015
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		666,119	996,627
Trade and other receivables		311,337	342,612
Other		21,384	6,585
Total current assets		<u>998,840</u>	<u>1,345,824</u>
Non-current assets			
Available for sale financial assets	7	336,889	4,694,670
Exploration and evaluation	8	435,999	396,052
Other		22,210	22,210
Total non-current assets		<u>795,098</u>	<u>5,112,932</u>
Total assets		<u>1,793,938</u>	<u>6,458,756</u>
Liabilities			
Current liabilities			
Trade and other payables		38,864	89,041
Employee benefits		25,812	20,579
Total current liabilities		<u>64,676</u>	<u>109,620</u>
Total liabilities		<u>64,676</u>	<u>109,620</u>
Net assets		<u>1,729,262</u>	<u>6,349,136</u>
Equity			
Issued capital		28,833,224	28,833,224
Reserves	9	(23,416,081)	(23,198,192)
Retained profits/(accumulated losses)		(3,687,881)	714,104
Total equity		<u>1,729,262</u>	<u>6,349,136</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 2015

Consolidated	Contributed equity \$	Retained profits \$	Reserves \$	Total equity \$
Balance at 1 July 2014	28,833,224	2,933,686	(18,824,410)	12,942,500
Loss after income tax expense for the half-year	-	(610,315)	-	(610,315)
Other comprehensive income for the half-year, net of tax	-	-	2,941,502	2,941,502
Total comprehensive income for the half-year	-	(610,315)	2,941,502	2,331,187
<i>Transactions with owners in their capacity as owners:</i>				
Lapse of options	-	16,000	(16,000)	-
Balance at 31 December 2014	<u>28,833,224</u>	<u>2,339,371</u>	<u>(15,898,908)</u>	<u>15,273,687</u>
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>

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 2015

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	64	-
Payments to suppliers and employees (inclusive of GST)	(375,725)	(398,375)
Monash research & development costs	-	(157,928)
	<u>(375,661)</u>	<u>(556,303)</u>
Interest received	7,622	44,238
Other revenue	33,765	-
	<u>33,765</u>	<u>-</u>
Net cash used in operating activities	<u>(334,274)</u>	<u>(512,065)</u>
Cash flows from investing activities		
Payments for equity investments	-	(200,000)
Payments for property, plant and equipment	-	(25,000)
Payments for exploration and evaluation	(39,937)	(143,285)
Proceeds from repayment of borrowings	125,000	-
Loans advanced to other entities	(81,297)	-
Proceeds from disposal of property, plant and equipment	-	6,000
	<u>-</u>	<u>6,000</u>
Net cash from/(used in) investing activities	<u>3,766</u>	<u>(362,285)</u>
Cash flows from financing activities		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(330,508)	(874,350)
Cash and cash equivalents at the beginning of the financial half-year	996,627	2,440,987
	<u>996,627</u>	<u>2,440,987</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>666,119</u></u>	<u><u>1,566,637</u></u>

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

Strategic Energy Resources Limited
Notes to the financial statements
31 December 2015

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 9 March 2016. 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 2015 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 2015 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, revised or amending Accounting Standards and Interpretations adopted

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

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

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 2015 of the consolidated entity results in an excess of current assets over current liabilities of \$934,164 (30 June 2015: \$1,236,204). The consolidated entity made a loss after tax of \$4,401,985 during the financial half-year (2014: \$610,315) and had net operating cash outflows of \$334,274 (2014: \$512,065). The cash balance as at 31 December 2015 was \$666,119 (30 June 2015: \$996,627).

The Directors continue to monitor the ongoing funding requirements of the consolidated entity. 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.

The consolidated entity has recognised its investment in Valance Industries Limited ("VXL") using the fair value measurement hierarchy method as Level 1 in prior periods but due to VXL's securities currently being placed in voluntary suspension the consolidated entity is now recognising the investment as a Level 2 fair value measurement. The current valuation has been recognised based off the recent proposed Non-Renounceable Rights Issue announced by VXL 4 March 2016 at an issue price of \$0.01 (1 cent) per share.

Note 4. Operating segments

Identification of reportable operating segments

The consolidated entity operates as an explorer for base precious metals, with the emphasis on copper, gold and uranium mineralisation within Australia.

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, been mineral exploration within Australia.

Revenue by geographical area

All assets and liabilities and operations are based in Australia.

Note 5. Revenue

	Consolidated	
	31 December	31 December
	2015	2014
	\$	\$
Interest from Loan advanced to Ionic Industries Limited	13,239	-
Interest	7,430	30,478
Royalty revenues	64	-
Sundry Income	33,765	801
	<hr/>	<hr/>
Revenue	<u>54,498</u>	<u>31,279</u>

Strategic Energy Resources Limited
Notes to the financial statements
31 December 2015

Note 6. Other income

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
Net gain on disposal of property, plant and equipment	-	2,200

Note 7. Non-current assets - Available for sale financial assets

	Consolidated	
	31 December 2015	30 June 2015
	\$	\$
Investment in Oil Basins Limited	39,000	39,000
Investment in Valence Industries Limited	217,889	4,575,670
Investment in Magnum Gas & Power Limited	80,000	80,000
Investment in Ionic Industries Limited (i)	-	-
	<u>336,889</u>	<u>4,694,670</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 13,000,000 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. The directors have undertaken an impairment review and following consideration of all market factors, resolved to reduce the carrying value of the Company's investment in VXL below the last traded price, resulting in an impairment of its current carrying value down to \$217,889. The total impairment charge for the period was \$4,139,892, representing an impairment of \$1,852,057 based off the last traded price of VXL and a further impairment of \$2,287,835 based on an impairment review performed by the directors following the VXL announcement to the market which was lodged on 4 March 2016. The announcement noted that the Company is undertaking a Non-Renounceable Rights Issue Offer at an issue price of \$0.01 (1 cent) per share, this price was the basis used for the impairment. The consolidated entity current holds 21,788,907 fully paid ordinary shares and the last traded share price for VXL prior to suspension was \$0.115 (11.5 cents).

On 22 June 2015, the consolidated entity demerged Ionic Industries Limited (formerly Graphitech Pty Ltd) (the "Demerger"). As a result of the Demerger, 80% of Ionic Industries Limited was issued as an in specie distribution to eligible shareholders of the consolidated entity and the remaining 20% was retained by the consolidated entity.

(i) 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 determined that the cost base of the shares for capital gains tax purposes and announced to the market on the 31 July 2015. The implied value based on the 5 day VWAP methodology before and after the demerger resulted in a value of 3.24 cents per Ionic share. On this basis the 20% shareholding in Ionic equates to \$2,823,842.

All financial assets (with the exception of the VXL and Ionic Industries Limited investments) 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 2015.

Strategic Energy Resources Limited
Notes to the financial statements
31 December 2015

Note 8. Non-current assets - exploration and evaluation

	Consolidated	
	31 December	
	2015	30 June 2015
	\$	\$
Exploration and evaluation - at cost	435,999	396,052

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 2015	396,052	396,052
Expenditure during the half-year	39,947	39,947
Balance at 31 December 2015	435,999	435,999

Note 9. Equity - reserves

	Consolidated	
	31 December	
	2015	30 June 2015
	\$	\$
Demerger reserve	(23,848,081)	(23,848,081)
Available-for-sale reserve	-	217,889
Options reserve	432,000	432,000
	<u>(23,416,081)</u>	<u>(23,198,192)</u>

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.

Available-for-sale reserve

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

Movements in reserves

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

Consolidated	Demerger \$	Revaluation reserve surplus \$	Option \$	Total \$
Balance at 1 July 2015	(23,848,081)	217,889	432,000	(23,198,192)
Fair value (loss) on available-for-sale financial assets	-	(217,889)	-	(217,889)
Balance at 31 December 2015	<u>(23,848,081)</u>	<u>-</u>	<u>432,000</u>	<u>(23,416,081)</u>

Note 10. Equity - dividends

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

Strategic Energy Resources Limited
Notes to the financial statements
31 December 2015

Note 11. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2015 and 30 June 2015.

Note 12. Commitments

Consolidated	
31 December	
2015	30 June 2015
\$	\$

Exploration Commitments

Committed at the reporting date but not recognised as liabilities, payable:

Within one year

<u>752,784</u>	<u>687,234</u>
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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.

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. During prior years the Company concluded a number of farm-out agreements which resulted in the Company only being responsible for a share of the work programs. The farm-in partners also expended funds on the permits during the year which resulted in work programs for certain years being met.

Note 13. 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	
		2015	30 June 2015
		%	%
Strategic Nickel Pty Ltd	Australia	100.00%	100.00%
Strategic Sands Pty Ltd *	Australia	100.00%	-

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

Note 14. Events after the reporting period

No matter or circumstance has arisen since 31 December 2015 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.

Strategic Energy Resources Limited
Notes to the financial statements
31 December 2015

Note 15. Earnings per share

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
Loss after income tax attributable to the owners of Strategic Energy Resources Limited	<u>(4,401,985)</u>	<u>(610,315)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>348,622,501</u>	<u>348,622,501</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>348,622,501</u>	<u>348,622,501</u>
	Cents	Cents
Basic earnings per share	(1.26)	(0.18)
Diluted earnings per share	(1.26)	(0.18)

Strategic Energy Resources Limited
Directors' declaration
31 December 2015

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 2015 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



Mr Peter Armitage
Director

9 March 2016
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 ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, 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 2015 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 2015 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 regarding going concern

Without qualification to the conclusion expressed above, we draw attention to Note 2 to the financial statements which notes net operating cash outflows of \$334,274 and a closing cash balance of \$666,119 for the half year ended 31 December 2015. This condition, along with other matters set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 9 March 2016