



STRATEGIC ENERGY RESOURCES LIMITED

ACN 051 212 429

Level 4, 100 Albert Road
South Melbourne VIC 3205

31 January 2013

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Quarterly Report to 31 December 2012

HIGHLIGHTS FOR THE QUARTER:

- **Cultana unlocked with access granted**
- **Sale of 5% interest in PEL182 for \$5M**
- **Investment Advisor appointed for Uley transaction**
- **Scoping Study completed**
- **New graphite ARC application with Monash University**
- **Clean-up of share register – unmarketable parcels sale process started**

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

1. MINERAL EXPLORATION

1.1 ULEY GRAPHITE MINE – 20% interest through Strategic Graphite Ltd PORT LINCOLN, SA

Uley Graphite Project

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

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

Lapsing of Mega Graphite Deal

On 3 October 2012 we informed the market:

‘The SER and Strategic Graphite (‘SG’) boards have asked MEGA to provide a firm agreement for:

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

MEGA did not provide a firm agreement nor any funding. Consequently the Merger Implementation Deed was terminated.

MEGA still has an Agreement on Operations in relation to the Uley Mine and SER and SG are in the process of negotiating a termination of this Agreement.

SER and SG are now free to solicit interest in a merger deal from other parties.

Investment Advisor Appointed For Uley Transaction

Origin Merchant Partners (‘OMP’), of Toronto Canada, has been appointed as advisors to Strategic Graphite Ltd (SER 20% owned) to assist in securing a successful development pathway for the Uley graphite project.

OMP was chosen to help facilitate a transaction for this world class graphite project because of their knowledge of the graphite and rare earths market and their understanding of the Uley graphite project.

There are currently a number of alternative scenarios on offer both in Australia and internationally. OMP is helping with the process and will advise the company on the best alternative to help realise value for SER and Strategic Graphite Ltd shareholders.

About Origin Merchant Partners

Origin Merchant Partners ("OMP") is an independent investment banking firm based in Toronto, Canada. The firm specializes in providing merger and acquisition advisory services and strategic capital solutions for clients. Mining and Metals is one

of OMP's core competencies, in particular they have extensive relationships in the rare commodities sector, including graphite.

Scoping Study

A Scoping Study has been completed by Tech Minerals Consulting Group which aimed at maximising production and increasing plant output substantially. The report indicates that around 50,000 tonnes per annum of coarse flake product, +50, +80, +100 mesh, can be achieved with an attractive return.

Based on this Study, with a +/- 40% accuracy, capital expenditure required will be less than \$20m and operating costs per tonne of \$700. Further if a new fines circuit is incorporated into the production process it will increase the output of the plant above 50,000 TPA.

The Scoping Study also included an initial marketing study by an experienced graphite marketer and has confirmed the economic viability of the project.

A further engineering report was commissioned and is underway. The new fines circuit (as mentioned above) is currently being designed and will increase the output of the plant. The report will be incorporated into the Scoping Study which will detail the capital, operating costs for up to 100,000 tonnes per annum of saleable product. This process will add new value to the sale, financing and development feasibility.

This new engineering report could be a major development and value changer for the project. Uley remains the nearest term production play in graphite and will be able to meet the requirements of current graphite customers.

Monash University New ARC Research Application with SER

Continuing and strengthening our collaboration with the team at Monash University, another ARC Research application has been submitted for approval. The new proposal is "Transforming sand to 'Super-Sand' by utilization of Indigenous Natural Graphite: Taking the Next Steps Towards an Affordable and Efficient Water Filter with Multifunctional Capabilities".

Specifically the aims are to:

- (i) Develop cost-efficient methods to convert graphite to exfoliated GO (Graphite Oxide).
- (ii) Engineer graphene sheets through chemical means to improve adsorption of contaminants and impart multi-functional capabilities.
- (iii) Develop functionalization strategies through simulations and experiments to tune the band-gap of GO for photocatalysis applications.
- (iv) Develop strategies and approaches to assemble these modified graphenes over sand-grains to synthesize highly efficient composite 'filtration media'.

About Linkage Projects

Linkage Projects supports research and development projects which are collaborative between higher education researchers and other parts of the national innovation system, which are undertaken to acquire new knowledge, and which involve risk or innovation.

Proposals for funding under *Linkage Projects* must involve a Partner Organisation from outside the higher education sector. The Partner Organisation must make a significant contribution in cash and/or in kind, to the project that is equal to, or greater than, the ARC funding.

Under the *Linkage Projects* scheme, the ARC provides opportunities for postgraduate and postdoctoral researchers to engage in industry-oriented research training and enables postdoctoral researchers to pursue internationally competitive research opportunities in collaboration with industry.

The objectives of *Linkage Projects* are to:

- encourage and develop long-term strategic research alliances between higher education organisations and other organisations, including with industry and other end-users, in order to apply advanced knowledge to problems and/or to provide opportunities to obtain national economic, social or cultural benefits;
- enhance the scale and focus of research in National Research Priorities;
- foster opportunities for postdoctoral researchers to pursue internationally competitive research in collaboration with organisations outside the higher education sector, targeting those who have demonstrated a clear commitment to high-quality research;
- provide outcome-oriented research training to prepare high-calibre postgraduate research students; and
- produce a national pool of world-class researchers to meet the needs of the broader Australian innovation system.

1.2 CULTANA (SER 75%) EL 5010 SOUTH AUSTRALIA

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

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

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

The Cultana Lease, EL 5010, covers an area of 792 square kilometres within the Cultana Army Training Area south of Port Augusta in South Australia (see figure 1). SER holds a 75% interest in the licence in a joint venture with U Energy Pty Ltd and its ultimate parent company Kingston Resources Ltd, who holds the remaining 25%. Mr Muzzin is also a director of U Energy and is a major shareholder of Kingston Resources Ltd.



Figure 1

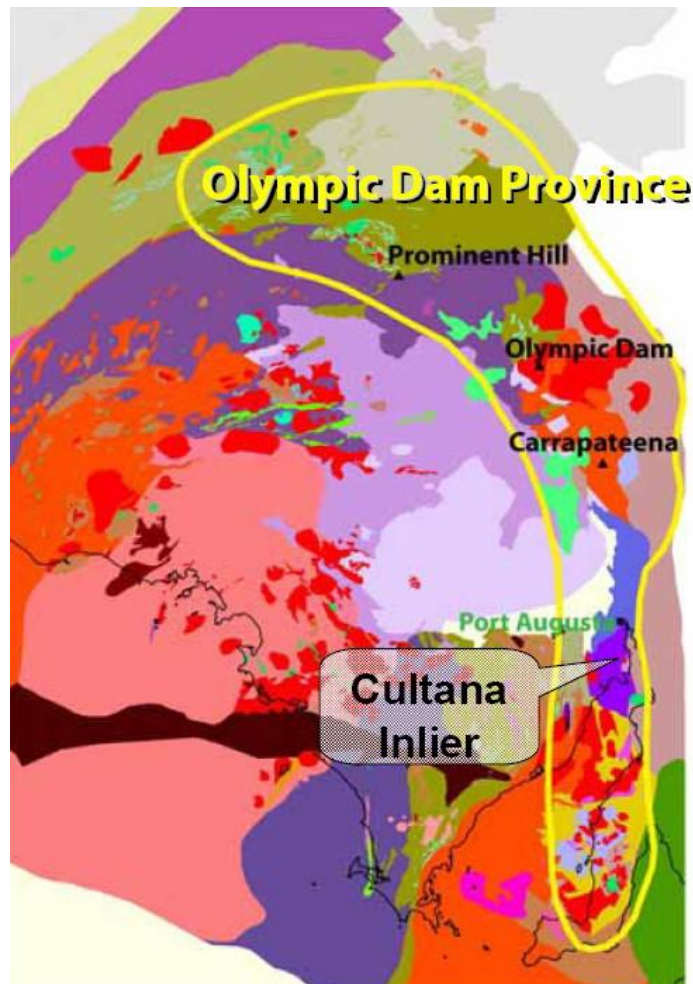


Figure 2, Cultana Subsuite and alteration events by PIRSA (McAvaney, 2008)

Past exploration in the Cultana area has been limited, due to restricted access by Defence. Serem Australia explored for copper in 1971 and drilled three shallow holes, none of which reached crystalline basement rocks. In 2004, a Falcon gravity survey defined targets of potential Olympic Dam style (IOCG type) copper gold mineralisation. Works also include a study of the Cultana Subsuite and alteration events by the government body PIRSA (McAvaney, 2008) Figure 2.

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

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

Currently two holes are planned for test-drilling in the Cultana Inlier.

The first proposed target (CO5) contains the highest Specific Gravity (or density) anomaly in the Cultana Falcon gravity survey area and is in contact with Cultana granites. A hypothetical exploration model is shown below in Figure 3.

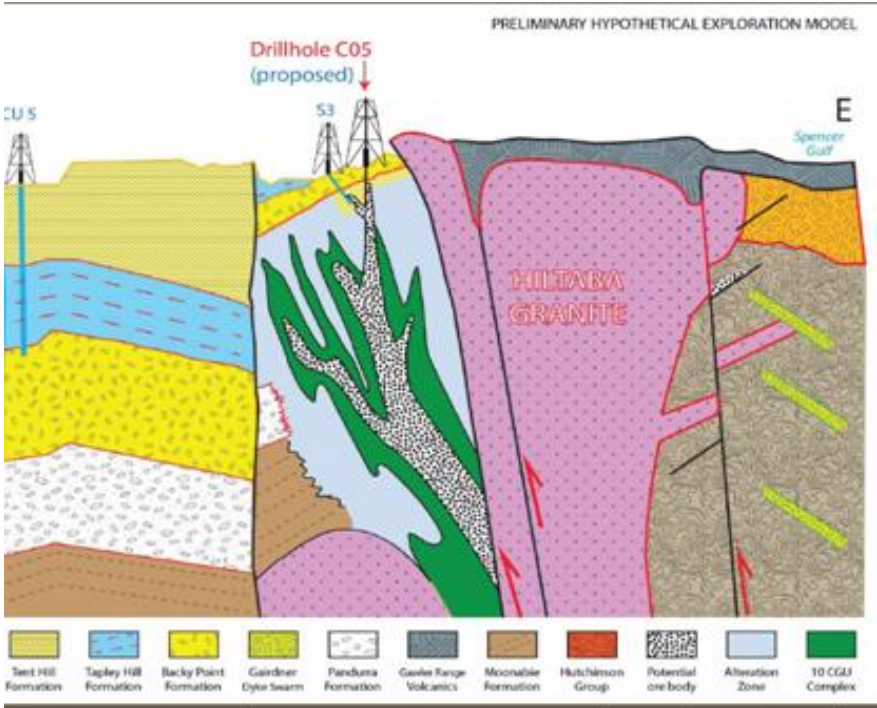


Figure 3, Hypothetical exploration model

The second proposed target has coincidental gravity and magnetic highs near copper mineral bearing outcropping rocks. A perspective view of this gravity anomaly (C01) is illustrated in Figure 4.

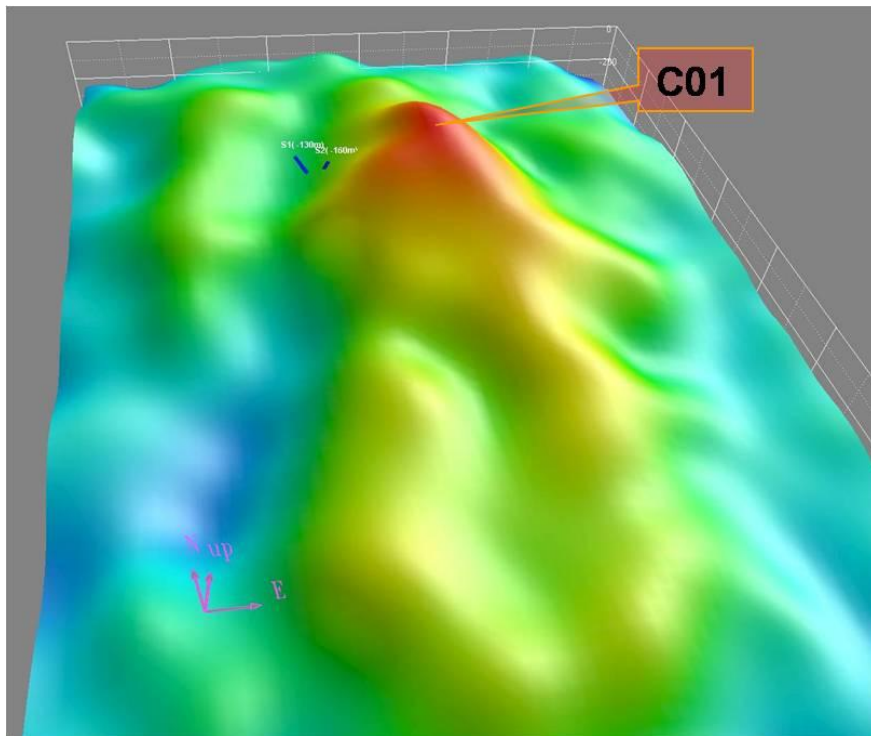


Figure 4, Gravity view of previously identified CO1 anomaly

A Deed of Access has been signed with the Department of Defence that outlines the parameters of site access.

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

The Joint Venture will be using Fugro Airborne Surveys Pty Ltd to acquire a 1,573 line kilometre HeliTEM geophysical survey over all seven defined IOCG gravity targets to confirm exact drill locations. The HeliTEM survey will commence on April 23, 2013. The Joint Venture has a 20 day booking with the Department of Defence to complete the survey acquisition. The survey has been delayed due to the high utilization of helicopters during the fire season.

AECOM Australia Pty Ltd has drafted an Environmental Management Plan for the project. Once the HeliTEM has been interpreted AECOM can complete drill site management plans.

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

1.3 MYALL CREEK (SER 50%) EL 5011 SOUTH AUSTRALIA

The Myall Creek Copper Project (EL5011) covers an area of 381 km² and is located on the southern Stuart Shelf between Whyalla and Port Augusta, a highly prospective part of the eastern margin of the Gawler Craton. SER holds a 50% interest in the licence. The licence area is immediately west of the Torrens Hinge Zone and close to the sites of the Hiltaba granites. Copper and base metal mineralisation has been delineated over a wide area and in a range of the Proterozoic host rocks in this region.

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

Two holes were completed after hitting basement rocks, with mineralisation evident in the holes. The third and final hole encountered a number of difficulties and ceased at 105.2 meters, some 10 meters short of the interpreted mineralised zone.

Analysis is continuing of the prior geochemical and drill data.

1.4 FALCON BRIDGE (SER 95%) E38/1970 WESTERN AUSTRALIA

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

All previous drill results obtained from the previous Joint Venture partner are being reviewed and discussions were held with a group on a potential farm-in. The major I.P anomalies remain substantially undrilled and warrant further drilling.

P38/3382, P38/3383-4 have not been renewed due to their low prospectivity. The focus in this project is in E38/1970.

2. OIL AND GAS EXPLORATION

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

An Implementation Deed has been signed with Senex Energy Limited to acquire our 5% interest on behalf of Senex Energy Limited's subsidiary and party to the PEL182 JVOA (Joint Venture Operating Agreement) Victoria Oil Exploration (1977) Pty Ltd for \$5 Million.

The sale was subject to the rights of pre-emption of the Joint Venture participants. (Acer Energy Limited pre-empted and entered into an agreement to purchase its pro rata entitlement of the 5% interest. A \$240,000 deposit has been received by SER).

The Implementation Deed required Senex to pay \$500,000 deposit on signing, which has been banked. The balance of the sale proceeds are held in escrow and released upon registration of the relevant title interest.

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

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

During the quarter the operator reviewed recently public data on the nearby Longtom field with the aim of finalising the Year 5 studies program.

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

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

Work continued on preparing to acquire the Stanton 3D seismic survey.

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

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

Work continued on preparing to acquire the Stanton 3D seismic survey.

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

2.5 CORPORATE UPDATE

A process has been implemented to sell, on market, holdings of less than 12,500 ordinary fully paid shares ('small holdings') on behalf of shareholders who do not wish to retain their shares in the Company.

The Company has a large percentage of shareholders holding less than marketable parcels. By divesting small holdings, the Company reduces its administrative and share registry costs.

Administrative costs have been high of late due to the costs associated with the now lapsed Mega Graphite deal. Even though the Company is a sound financial position, the board is still looking at ways to reduce these costs.



Mark Muzzin
Managing Director

Competent Person Statement

The Myall Creek information is based on information compiled by SER's geological consultant, Dr Wenlong Zang. Dr Zang is a member of the Australasian Institute of Mining & Metallurgy. Dr Zang has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves and has consented in writing to the inclusion of the information.

Risk Factors

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

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

STRATEGIC ENERGY RESOURCES LIMITED

ABN

14 051 212 429

Quarter ended ("current quarter")

31 DECEMBER 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(101)	(135)
(b) development	-	-
(c) production	-	-
(d) administration	(408)	(743)
(e) bank guarantee	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	20	22
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Demerger Implementation Fees	-	-
Net Operating Cash Flows	(489)	(856)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects (deposits received)	740	740
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Research and Development – Monash University	-	-
Net investing cash flows	740	740
1.13 Total operating and investing cash flows (carried forward)	251	(116)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	251	(116)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	251	(116)
1.20	Cash at beginning of quarter/year to date	705	1,072
1.21	Demerger of Tarcoola Gold Limited	-	-
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	Cash at end of quarter	956	956

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	97
1.25	Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

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

Nil

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

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
4.3 Production	-
4.4 Administration	200
Total	300

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	451	118
5.2 Deposits at call	505	587
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	956	705

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter


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

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

+ See chapter 19 for defined terms.

Compliance statement

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

Sign here:  Date: 31 January 2013

Print name: MELANIE LEYDIN
(Company Secretary)

Notes

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

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