



STRATEGIC ENERGY RESOURCES LIMITED

ACN 051 212 429

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23 October 2013

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Quarterly Report to 30 September 2013

HIGHLIGHTS FOR THE QUARTER:

- **First drilling program at Spencer project completed**
- **Funds received from completion of sale of PEL182**
- **Completion of unmarketable share sale**
- **New board appointed to Strategic Graphite with ASX listing proposed**

Strategic Energy Resources Limited (ASX Code: SER) holds a number of interests in oil and mineral exploration assets and an equity interest in Strategic Graphite Limited which owns the Uley graphite mine in Port Lincoln, South Australia (presently under care and maintenance). There are interests in three offshore petroleum exploration permits in the Gippsland Basin, Victoria, and mineral exploration licences in South Australia, Western Australia and Victoria.

1. MINERAL EXPLORATION

1.1 SPENCER JOINT VENTURE (SER 75%) EL 5010 SOUTH AUSTRALIA

Strategic Energy Resources Limited (ASX:SER) as Operator of the 'Spencer Joint Venture' (SER 75% and Kingston Resources Ltd (ASX:KSN) 25%) completed the first round drilling campaign.

The exploration program commenced on the 18th of August 2013 with the rigs demobilised from site on the 30th of September. A total of ten holes were drilled, 6 reverse circulation (RC) holes were completed with a further 4 RC pre collars completed for 3,608m of drilling. These four RC holes were designated to have diamond tails of which three diamond tails were drilled for a total of 1,113.9m, totalling 4,721.9m for the drill program. Further drilling is anticipated on two of the pre collars with SPRCD004 being diamond drilled from 474m to a depth of 865.2m before the access window on the drill program closed. SER anticipates completing this hole to approximately 1,200m during the next follow up drilling program.

As previously announced a decision was made to bring a diamond rig in to complete the bottom sections of the holes, this was a result of ground conditions and to increase geological understanding of the geophysical targets. The core produced from the diamond drilling has been useful as visual mineralisation is evident. The core is in the process of being dispatched to an analytical laboratory, with results expected in some 30 – 60 days. The technical analysis to follow is anticipated to assist the vectoring to potential high grade mineralization zones.

All of the holes where diamond tails were drilled have been collared into the outcropping Hiltaba Granite Suite. Holes SPRCD001 and SPRCD004 (which was drilled to 865.2m with a planned depth of 1,200m) remained within the Hiltaba Granite Suite from the initial intersection to the end of the hole. The majority of SPRCD002 remained within the Hiltaba Granite apart from an approximately 90m intersection of an intrusive basaltic unit. In all three holes throughout the granite, intersections of brecciation and alteration were seen to be pervasive and of varying intensities. It is in these brecciated and altered zones where visual mineralization has been encountered. Analysis of these zones is hoped to provide further information regarding the potential of the mineralization zones.

The six holes in the northern part of the tenement failed to encounter the Hiltaba Granite Suite. Although the geophysical targets were intersected in the majority of the holes further investigation and understanding of the geology should provide answers as to the true nature of the geophysical anomalies which provided the original targets.



Fig 1 Brecciated and altered Hiltaba Granite from Spencer drilling program

A follow up drill program is currently planned to complete not only the two remaining open holes prepared for re-entry using diamond tails but to also drill three highly prospective targets within a restricted area that require special permission to access.

A further shallow drill program of five holes is also planned to test outcropping copper mineralisation. Timing of any program is subject to the usual regulatory approvals.

BACKGROUND

The project area comprises 321 square kilometres and is located on the west coast of Spencer's Gulf. It remains one of the few undrilled areas along the Olympic Dam trend that has now been the subject of significant modern exploration techniques, including gravity, magnetics, HeliTEM, outcrop geology and geochemistry. This same trend is the home to some exceptional discoveries including: Olympic Dam, Carrapateena, Prominent Hill, Mount Gunson, Wallaroo, Moonta and Hill Side.

Favourable geology is evident within the Spencer Project area including the outcrops of the Hiltaba granite and Moonabie formation, the age equivalent host of a number of IOGC style deposits throughout the Olympic Dam trend.

1.2 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. The Myall Creek Project includes a 15 kilometre zone with anomalous copper shown in historic drilling.

Previous work indicates that some mineralization is controlled by a redox contrast which exists between the base of the Tapley Hill formation and an underlying

unconformable contact between the two sedimentary units. This unconformity continues to have a strong potential for high grade prospects.

The licence area is immediately west of the Torrens Hinge Zone.

Technical assessment of the prospectively of the Myall Creek project for both Zambian style copper mineralization and the potential of Olympic Dam style IOCG mineralization at depth is ongoing. The drilling results from our Spencer project will be beneficial in determining the next exploration program in this licence area.

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

The Falcon Bridge tenement EL 38/1970 covers an area of 138.1 sq km in the north eastern corner of Western Australia's Archaean Yilgarn Craton. Open File mapping obtained from the Department of Mines and Petroleum has delineated two strike aligned ultra-mafic units. The northern unit is approximately 5.8km in length striking north south of which the southern 3.8km lies with in EL 38/1970. The southern ultra-mafic unit is approximately 9.15 km in strike length. Both the ultramafic units are prospective for komatiite hosted nickel sulphide mineralization.

Previous work completed by Ishine International Resources Ltd in 2010 defined a number of drill targets defined by a SQUID Moving Loop TEM Survey over what is known as the Toro-Grande Magnetic Anomaly. The targets are defined as weak conductor observed in the channel 25 and a later time conductor defined in the channel 40 image. Both these conductive units remain untested with previous drill programs failing to penetrate to the depth required to test the target.

The southern ultramafic unit lies wholly within the tenement and is approximately 7.38km in strike length and up to 400m in width. The unit strikes slightly west of north. An open file search has so far shown this unit to have undergone no previous nickel exploration and remains a key target within the tenement.

1.4 ULEY GRAPHITE MINE – interest in Strategic Graphite Ltd PORT LINCOLN, SA

PROGRESS TOWARDS ASX LISTING AND GRAPHITE PRODUCTION

We provide the following update for Strategic Graphite Ltd and SER shareholders on progress towards the 2013 targets of the listing of Strategic Graphite on ASX and commencing graphite processing.

Strategic Graphite has raised \$1million in capital. The funds will be used to progress to a listing, undertake initial planning and site preparation and to commence graphite processing and production. Subsequent to the end of the quarter, SER was also reimbursed for the recent expenditure on progressing the project and site costs and the loan between SER and Strategic Graphite has been extinguished. SER remains a major shareholder with approximately 18.91% of Strategic Graphite.

The board has been restructured, with all SER representatives except Glenister Lamont stepping down. The restructured Board now consists of Graham Spurling as Chairman and Christopher Darby as Managing Director & CEO, Glenister Lamont and Ian Schache provide significant metallurgical and management expertise. The new Board has extensive experience in manufacturing, production and marketing of industrial materials to global markets.

Strategic Graphite has the three pillars required for success in production and sale of graphite:

Pillar 1

High-grade flake graphite resource

Pillar 2

Experienced graphite engineering and metallurgy capabilities

Pillar 3

Knowledgeable graphite marketing and management team

Strategic Graphite owns Australia's largest previously operating graphite mine with an indicated and inferred resource of 6.6 million tonnes at 8.7% graphite (JORC 2004). There is established power, water and production infrastructure on site, 22km south of Port Lincoln on the Eyre Peninsula in South Australia, and Strategic Graphite owns the land on which they are operating.

Preparation for an ASX listing and an associated capital raising are well advanced.

SER will also benefit from a 1.5% royalty stream from any graphite sales of Uley graphite.

2. OIL AND GAS EXPLORATION

2.1 PEL-182

ONSHORE PETROLEUM EXPLORATION – COOPER BASIN, SA

As previously reported the Company's 5% interest in the block has been sold for \$5 million to Senex Energy Limited's subsidiary and party to the PEL182 JVOA (Joint Venture Operating Agreement) Victoria Oil Exploration (1977) Pty Ltd and Acer Energy Limited, who exercised its right of pre-emption.

During the quarter the balance of the purchase price (\$2,160,000) was received.

2.2 VIC/P47 – (SER 25%)

OFFSHORE GIPPSLAND BASIN

Permit Vic/P47 is located in the offshore Gippsland Basin, approximately 10 km offshore, south of the Victorian town of Orbost. Water depths range up to 80 metres. The permit comprises three graticular blocks and contains the Judith and Moby gas discoveries.

The JV applied to the National Offshore Petroleum Titles Administrator for a Declaration of Location over the Moby discovery within Vic/P47. This application was successful and a location has been declared over the Moby discovery.

Earlier this year a re-assessment of the Judith gas resource was completed by Gaffney Cline & Associates (GCA). This was an update of its previous 2008 assessment of Contingent Resources for the Judith discovery to incorporate new seismic inversion data. GCA stated that the seismic inversion processing enabled it to decrease the uncertainty in the Contingent Resource estimates. The seismic inversion data highlighted that structural and stratigraphic complexities may limit reservoir connectivity and in light of this the previous GCA High Case may no longer

be valid. The gross contingent resource (Bscf) for the field where assessed as 1C – 37, 2C – 101 and 3C – 276.

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.

The JV is required to complete 430 sq km of 3D seismic reprocessing, fault seal and QI studies by the end of the current permit year. The studies have commenced.

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

Permit Vic/P66 (2,160 square kilometres) is located to the southeast of Vic/P41 in the east of the offshore Gippsland Basin, approximately 40 kilometres south of the Victorian coast.

The Vic/P66 Joint Venture partners have applied to surrender the permit. The Joint Authority has refused the request to cancel the permit. At the end of the current permit year (December 2013) the Joint Venture will have 30 days to submit any further information that assists in the arguments for surrendering the permit. After the information is provided, the Joint Authority will consider this, and a final decision will be made.

2.5 CORPORATE UPDATE

A process was 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 had a large percentage of shareholders holding less than marketable parcels. By divesting small holdings, the Company has reduced its administrative and share registry costs. The sale and cheque mailing process has been completed.



Mark Muzzin
Managing Director

Competent Person Statement

The information in this report related to Exploration is based on information compiled by Mr Adrian Dellar who is a member of the Australasian Institute of Mining and Metallurgy. Mr Dellar is working in the role of Senior Geologist for Strategic Energy Resources. Mr Dellar has sufficient experience, which is relevant to the style of mineralization and deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and ore reserves" Mr Dellar consents to the inclusion in the report for the matters on his information in the form and context which it appears.

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")

30 SEPTEMBER 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 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	(518)	(518)
(b) development	-	-
(c) production	-	-
(d) administration	(219)	(219)
(e) bank guarantee	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	26	26
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Demerger Implementation Fees	-	-
Net Operating Cash Flows	(711)	(711)
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 (including deposits received)	-	-
(b) equity investments	2,160	2,160
(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	2,160	2,160
1.13 Total operating and investing cash flows (carried forward)	1,449	1,449

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	1,449	1,449
	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	1,449	1,449
1.20	Cash at beginning of quarter/year to date	2,115	2,115
1.21	Demerger of Tarcoola Gold Limited	-	-
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	Cash at end of quarter	3,564	3,564

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	177
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 September 2013 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	450
4.2 Development	-
4.3 Production	-
4.4 Administration	200
Total	650

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	1,404	1,020
5.2 Deposits at call	2,160	1,095
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,564	2,115

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	PEL 182 Sale of Permit	2.4%	-
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.

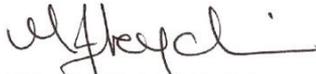
	Number issued	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +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: 23 October 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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