



STRATEGIC ENERGY RESOURCES LIMITED

ACN 051 212 429

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27 April 2012

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Quarterly Report to 31 March 2012

HIGHLIGHTS FOR THE QUARTER:

- **Demerger scheme approved by shareholders**
- **Subsequent to end of quarter significantly improved deal agreed with MEGA Graphite**
- **Cultana access application for exploration submitted, negotiations progressing very well**

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 significant 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 (SER 100%) 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 traders for its high quality.

Demerger Scheme

During the quarter the Demerger Scheme meeting was held. The results of the meeting saw 99.97% of shares and 99.06% of shareholders vote in favour of the demerger. :

MEGA Graphite Deal Update – Merger and Implementation Deed (MID)

The MID envisages a potential:

1. Demerger of 80% of Tarcoola (which in turn holds 100% of the shares in SEG which owns the Uley graphite deposit) pursuant to a Scheme of Arrangement (Demerger Scheme); which has now been completed and
2. Transfer of Tarcoola shares (once demerged) to MEGA Australia (a wholly owned subsidiary of MEGA Graphite) in return for listed shares in MEGA Graphite (or other acceptable Company) pursuant to a second Scheme of Arrangement (Transfer Scheme).

Due to the continued strength of the graphite market and its impact on the value of the Uley Operations there is a revised basis for the scheme. The MID originally contemplated a transfer of Tarcoola shares to MEGA Graphite for which the shareholders of Tarcoola would receive 33% (or to the value of CAD\$70M) and it now provides for the receipt of 50% of MEGA Graphite pursuant to the second Scheme of Arrangement (Transfer Scheme). The shares in MEGA Graphite under the Transfer Scheme will be issued now by MEGA Graphite and placed in escrow pending completion of the share exchange by 31 August 2012. The listing of MEGA Graphite on the TSX will now occur by 31 August 2012. There will also be a cash payment of to SER of CAD\$3 million by MEGA Graphite in tranches completing on the listing of MEGA Graphite.

MEGA Graphite is in negotiations with a Canadian institution to provide additional interim funding. These funds will allow for the continued conduct of operations and upgrades by MEGA Graphite to the current graphite processing facility at Uley, South Australia to build on the substantive work performed at site to date.

The Board of SER is also pleased to note that Macquarie Capital, Canada has been engaged by MEGA Graphite as a financial advisor through this process and to assist with MEGA's listing. With these revised terms and elements in place it is our assessment that this transaction reflects significant value for the shareholders of SER and the recently demerged Tarcoola.

The MID provides for MEGA Graphite (or another acceptable Company with which it may have merged) to have listed by 31 March 2012, with the completion of the Transfer Scheme to occur soon afterwards. While the listing requirement was not met, both companies have proceeded with discussions on amending the MID. MEGA Graphite has had technical experts visit the Uley plant and draw up detailed engineering and refurbishment plans. It has also undertaken extensive site clean-up activities and moved forward with permitting and related work to ensure OH&S and environmental compliance. Based on test work and evaluation of material on site, and the modest quantities of graphite produced to date, MEGA Graphite has advised that they expect to be able to meet anticipated customer requirements once the plant is in production.

However, MEGA Graphite has advised that it expects small quantities of graphite will be exported shortly and that the progress of work at site has provided the required engineering, regulatory and safety basis for the move to production.

SER continues to believe in both the potential of Uley and that MEGA Graphite brings value adding opportunities and technology is the best outcome for SER shareholders.

1.2 MYALL CREEK (SER 50%) EL 3538 SOUTH AUSTRALIA

The Myall Creek Copper Project (EL3538) 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 license 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.

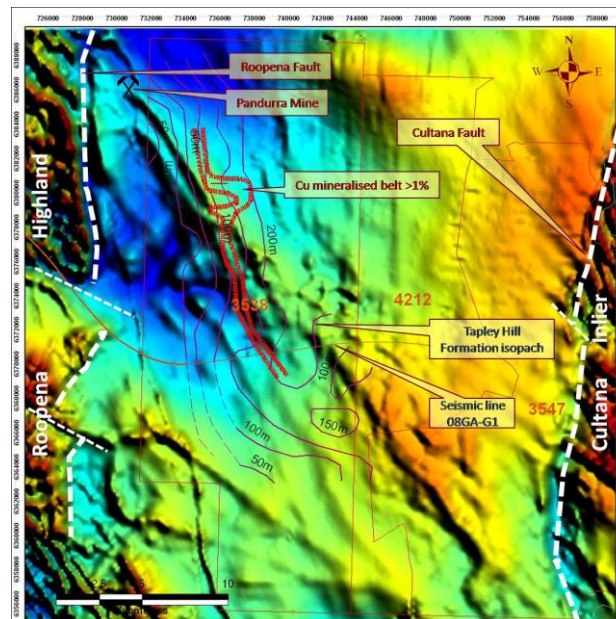
The exploration programme was focused on a prospect named Honeymoon Dam. The Honeymoon Dam Prospect is 2.5km south of the known Myall Creek mineralisation zone. Depths to the mineralisation zones in the area are in the range of 50-150m.

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. The preliminary assays of the cores for the two completed holes are presented below:

SampleNo	HoleID	Depth from	DepthTo	Cu (ppm)
SER11MC001	MC02	115.7	116.7	2600
SER11MC002	MC02	116.8	117.8	1780

These results are an average grade for the region and are encouraging for further exploration efforts.

A further drilling program is being devised with the goal of coordinating with the drill program devised for Cultana. Analysis is continuing of the prior geochemical and drill data.



TMI image shows major Cu mineralisation belt defined by drillhole geochemical data (Cu cut-off grade 1%)

1.3 CULTANA (SER 75%) EL 3547 SOUTH AUSTRALIA

The Cultana Lease EL3547 covers an area of 792 km² within the Cultana Army Training Area south of Port Augusta in South Australia. Access to the Army Base has only been approved for mineral exploration on three prior occasions. Ten holes were drilled in the licence area, and none of them penetrated crystalline basement. The Cultana Inlier is considered to be one of the best remaining blocks to explore for IOCG (iron oxide, copper, gold) mineralisation in South Australia. SER holds a 75% interest in the licence.

The project still requires the standard regulatory approvals from PIRSA and more importantly, access permission from both the Department of Defence and Department of Finance prior to any exploration program. There are also Cultural Heritage issues that require consultation and clearance from indigenous groups. The approval process is currently being worked through.

The Joint Venture has formally submitted all documentation to the Department of Defence and Department of Finance for access approval. SER believes access permission should be granted for drilling, subject to all approvals shortly.

1.4 FALCON BRIDGE (SER 95%) E38/1970, P38/3382, P38-3383-4 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.

2. OIL AND GAS EXPLORATION

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

The licence is currently under suspension. The Operator has applied for a further six month suspension and extension.

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

The Vic/P47 exploration permit is located in the offshore Gippsland Basin, 14 km from the coast and south of the Victorian town of Orbost, with water depths ranging up to 80m.

Vic/P47 contains the Judith and Moby gas discoveries. Judith contains certified gas resources (Gaffney Cline & Associates 2008) and both Judith and Moby are in close proximity to existing and planned infrastructure in adjacent licences. 22 km to the west, the Longtom Field has commenced gas production – the first production from the same geological unit as the Judith discovery.

The Joint Venture has commenced a simultaneous seismic inversion study to enhance the definition of the Judith and Moby fields.

Discussions with potential Vic/P47 farminees are continuing.

2.3 VIC/P41 – (SER 25% possibly diluting to 17.5%) VIC/P66 – (SER 23%) EASTERN OFFSHORE GIPPSLAND BASIN

Permits Vic/P41 and Vic/P66 are located adjacent to each other in the east of the offshore Gippsland Basin, from approximately 40 km south of the Victorian coast. The operator maps extensions of two productive trends across its East Gippsland permits:

- the eastward extension Rosedale Fault system sets up prospects analogous to the Kipper oil and gas field (development drilling underway ahead of first production scheduled for 2011)
- further south, a second trend extension is analogous to the Basker / Manta / Gummy oil and gas fields (in production since December 2006 for Roc Oil and partners).

Vic/P41 contains a number of large prospects defined on modern 3D seismic, notably Kipling, Benchley and Oscar, whereas Vic/P66 while containing an part of the 2D-defined 'Lead A' feature, is still at an early stage of exploration with clear potential to further extend the Rosedale trend in to new areas.

Vic/P41 has been granted a new five year term, commencing 29 November 2011. The primary term work program commitment is to acquire 3D seismic data over Lead A area of the permit and then to undertake simultaneous seismic inversion of that data. This, together with the inverted Oscar 3D, will provide a consistent data set from which to determine the optimal exploration drilling target to test the Golden Beach play.

Discussions with potential Vic/P41 and Vic/P66 farminees are continuing.



Mark Muzzin
Managing Director

Competent Person Statement

The Myall Creek information is based on information compiled by SER's chief 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 MARCH 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 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	(112)	(534)
(b) development	-	-
(c) production	-	-
(d) administration	(497)	(1,059)
(e) bank guarantee	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	52
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	787
Net Operating Cash Flows	(592)	(754)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	(7)
1.9 Proceeds from sale of:		
(a)prospects	-	51
(b)equity investments	37	37
(c)other fixed assets	8	8
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	45	89
1.13 Total operating and investing cash flows (carried forward)	(547)	(665)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(547)	(665)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	770	825
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	770	825
	Net increase (decrease) in cash held	223	160
1.20	Cash at beginning of quarter/year to date	1,071	1,134
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,294	1,294

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
1.23	Aggregate amount of payments to the parties included in item 1.2	105
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Director's fees paid during the March 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	50
4.2 Development	-
4.3 Production	-
4.4 Administration	280
Total	330

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	497	36
5.2 Deposits at call	797	1,035
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,294	1,071

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	6,000,000 3,000,000 2,500,000 2,500,000	6,000,000 3,000,000 2,500,000 2,500,000	\$0.05 \$0.04 \$0.06 \$0.08	
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	14,000,000	-	As per 7.4	
7.10 Cancelled during quarter	2,000,000	-	<i>Exercise price</i> \$0.10	<i>Expiry date</i> 12/12/2012
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: 27 April 2012

Print name: MELANIE LEYDIN

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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