

# Strategic Energy Resources Limited

ABN 14 051 212 429

Business Review - 30 June 2012



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## Strategic Energy Resources Limited

### Directors & Executives



#### Non-Executive Chairman

Mr Glenister Lamont  
Bend Mining (Hons), MBA (IMD Switzerland,  
FAICD,  
FFin MAusIMM

Mr Lamont has expansive expertise in the resources sector. He has worked both within companies as an investor relations manager and as an external advisor. His expertise extends to his board positions that he holds with numerous resource listed companies. He has international mining experience in base metals, gold, coal, and other commodities.



#### Managing Director

Mr Mark M Muzzin  
BA

Mr Muzzin has more than 20 years' commercial experience. He has been involved in multiple capital raisings for resource companies and has consulted to several oil, gas and minerals companies during his career. He holds a number of directorships and he is a member of the Petroleum Exploration Society of Australia.



#### Non-Executive Director

Mr Peter A Armitage  
FCA FAICD

Mr Armitage is Principal of an accounting practise and has 30 years' experience as a director of a number of listed exploration companies in both Australia and New Zealand. He has also recently been part of a number of successful IPOs and has been involved in consulting assignments in People's Republic of China, Canada, USA, Hong Kong and UK for Fortune 500 companies.



#### Company Secretary

Ms Melanie J Leydin  
B.Bus CA

Ms Leydin serves as the principal in a chartered accounting firm specialising in audit and company secretarial services. She has 19 years' experience in the accounting profession and is a Director and company secretary for a number of junior oil and gas, mining and exploration companies listed on the ASX.

### Corporate Directory

#### Registered Office

Level 4, 100 Albert Road  
South Melbourne, VIC 3205  
Ph: (03) 9692 7222  
Fax: (03) 9077 9233

#### Principal Place of Business

Suite 905, 530 Little Collins Street  
Melbourne, VIC 3000  
Ph: (03) 9909 7078  
Fax: (03) 9909 7080

#### 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, 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 Address

[www.strategicenergy.com.au](http://www.strategicenergy.com.au)

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## Chairman's Letter

Dear Shareholders,

During the year, progress was achieved in realising the value in the Uley graphite mine, with the demerger of Tarcoola Gold Limited which holds the Uley properties. This important first step was required regardless of which route the company ultimately chooses to take to realise value, however, due to regulatory requirements it required considerable more time than envisaged.

Progress on the Canadian listing has also been more drawn out than anticipated. We are working to ensure that we can obtain value for Uley as soon as possible. It remains a very difficult environment for small resources companies to raise funds, even those that have mines that are relatively close to production like Uley.

To date, MEGA Graphite Inc. has provided over \$1 million in cash as consideration for the deal which has helped fund the various legal, consulting and compliance costs related to the proposed listing. This has meant the delays have not significantly impacted funds. The graphite market has seen some softening of prices like all commodities; however prices and demand remain at solid levels.

In our Bass Straits oil tenements, there has been considerable change in the operation and management of our joint venture partners and operators of the tenements. Once the new management has reviewed their plans, we hope to progress on obtaining value for these assets.

At Cultana there have been a number of small positive steps to confirm our ability to drill the very attractive geological targets. The various departments continue to progress our applications and we remain hopeful of a resolution in the 2013 financial year.

We thank shareholders for their patience and anticipate there will be significant progress on a number of fronts in the coming year.



Glenister Lamont

Non-Executive Chairman

## Projects Review

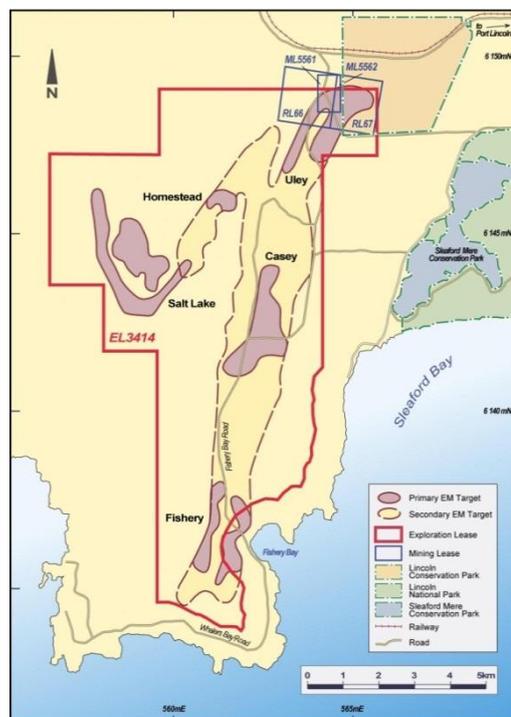
### Uley Graphite Mine, South Australia (SER 20%)

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 and one of the largest coarse flake graphite deposits in the world.

The deposit contains disseminated, high-grade flake graphite and the mineralisation is near surface, with the graphite produced from the former operation accepted by many traders for its high quality.

While in operation, the Uley graphite plant was capable of producing up to 14,000 tonnes per year. The 20 tonnes per hour processing plant is substantially intact and operable, however it requires some refurbishment.

A resource upgrade was conducted at the project in 2011 by Coffey Mining following analysis of approximately 1,200 metres of infill drilling, with an indicated resource estimate of 4.3 million tonnes and inferred resource of 2.3 million tonnes at a grade of 8.7 per cent.



*Uley licence area with anomalies*

Uley Main Road Project			
Lower Grade Cutoff of 3.8% Graphite - Whole Rock Grades Reported			
Ordinary Kriged Estimate using a Parent Block of 4mN by 10mE and 4mRL			
Resource Classification	Lower Cutoff Grade (Graphitic Carbon %)	Tonnage (Mt)	Average Grade (Graphitic carbon %)
Indicated	3.8	4.3	9.4
Inferred	3.8	2.3	7.5
<b>Total</b>		<b>6.6</b>	<b>8.7</b>

## Exploration Potential & Target Ranking

Coffey Mining Pty Ltd, SER's consultants on the project, were previously engaged to rank the exploration potential of other identified deposits in the entire Uley project area.

Prospect Name	Surface Area km <sup>2</sup>	Discovery Hole	Intersections	Target Ranking
Homestead	0.25	83MKRC10	18-60m, 42m @ 7.0% C 30-60m, 30m @ 8.6% C	1
Salt Lake	2.5	83MKRC08	16-42, 26m @ 7.5% C	2
Casey	3.00	83KRD011	44.2-51.9m, 7.7m @ 9.2% C	3
Remnant Uley	2.0	82MKD14	40-46m, 6m @ 6.1% C	4
Fisheries	1.5	83MKRC11	68.0-99.2m, 31m @ 7.1% C	5

Based upon the available drillhole data, Coffey estimated the leases have an exploration potential of 25 - 150 million tonnes at 6-9% total carbon.

Homestead was highlighted as the highest priority target, as there are thick intersections of higher grade material. This deposit is close to surface and close to the existing processing facilities within the Mining Lease, which could contribute to cost savings.

## Mega Graphite Deal

During 2011, SER was considering a range of alternative proposals in relation to obtaining value from Strategic Energy Graphite (SEG)'s assets, which is a 100 per cent owned subsidiary of Tarcoola Gold Limited ("Tarcoola").

As the first stage in realising value, a Demerger Scheme of the Tarcoola subsidiary was put to shareholders. The meeting resulted in 99.97 per cent of shares and 99.06 per cent of shareholders voting in favour of the demerger. The demerger was completed in April 2012.

The next stage is to undertake a transfer of Tarcoola shares in return for listed shares in MEGA Graphite Inc.

Due to the continued strength of the graphite market and its impact on the value of the Uley Operations, there have been several revisions of the original proposal. It is now envisaged Tarcoola will own at least 50 per cent of the new entity and negotiations are continuing.

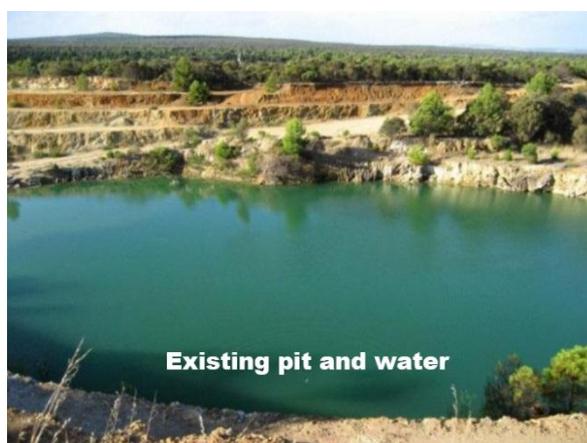
SER continues to believe that a Canadian listing brings value adding opportunities and technology, leading to the best possible outcome for SER shareholders.

## Progress at Uley

The existing plant and equipment at Uley underwent extensive expert assessment during 2011. The review identified the extent and nature of work involved in bringing the plant and equipment off care and maintenance and items needed to conduct site processing operations.

The recommissioning plan of the Uley operations was divided into two stages. The first stage would be focussed on the refurbishment of the secondary processing system (or back end) of the plant. This would allow the operations to process the existing stockpile of fines and other material, assess the operability of the back end of the plant for the second stage and undertake further tests to understand the nature of the graphite at Uley.

Substantial progress has been made at the processing plant. Water supply and testing of flotation circuits, column footing repairs, full electrical testing of the Motor Control Centre, installation of resistance temperature detectors and upgrades to internal lighting have been completed. The process of re-roofing, water proofing and building security has also commenced, as well as foliage management in the area.



## Monash University ARC Agreement

SER formed a strategic alliance with Monash University in November 2011 to develop a technological base for the use of graphite in high-tech applications such as the energy sector, a growing market for the use of graphite. SER is focussed on becoming a participant in this market and is aware of the vast advances nanotechnology is making to use graphite-based materials for electronics, energy and environmental applications.

During the second quarter of 2012, different graphite samples were supplied by SER to Monash researchers, which are now being analysed. Plans are in place for preparation of graphite oxide from the powders, development of reduced grapheme oxide electrodes and measurement of the energy storage capability of the resultant electrodes.

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## Mineral Projects

### Myall Creek, South Australia (SER 50%)

The Myall Creek Copper Project (EL 5011) covers an area of 381 square kilometres 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 in a joint venture with U Energy Pty Ltd and its parent company Fleurieu Mines NL, of which Mark Muzzin is a director and major shareholder. 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 most recent exploration programme was focussed on a prospect named Honeymoon Dam, 2.5 kilometres south of the known Myall Creek mineralisation zone. Depths to these zones in the area range from 50 to 150 metres.

Two holes were completed after hitting basement rocks, with mineralisation evident. Preliminary assays returned average grades for the two completed holes and were encouraging for further exploration efforts.

Sample No.	Hole ID	Depth from	Depth to	Cu (ppm)
SER11MC001	MC02	115.7	116.7	2600
SER11MC002	MC02	116.8	117.8	1780

Planning for a further drilling programme is in place, with the aim of coordinating with the drill programme devised for the Cultana licence. Analysis of the prior geochemical and drill data is continuing.

### Cultana, South Australia (SER 75%)

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. SER holds a 75% interest in the licence in a joint venture with U Energy Pty Ltd and its parent company Fleurieu Mines NL.

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.

The project requires standard regulatory approvals from the South Australian Department of Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) and access permission from both the Department of Defence and Department of Finance prior to any exploration programme. The Joint Venture has submitted all required documentation.

There are also Cultural Heritage matters that require consultation and clearance from indigenous groups. The approval process is currently being worked through. SER believes access permission should be granted for drilling, subject to all approvals.

## **Falcon Bridge, Western Australia (SER 95%)**

The Falcon Bridge Project is located 80 kilometres north of Laverton in the highly prospective Duketon Greenstone Belt, covering approximately 17 kilometres of strike of ultramafic rich stratigraphy coincident with linear magnetic anomalism.

During 2010 SER's joint venture partner Ishine International Resources Ltd (ISH) completed two rounds of drilling at the project. Seventy-two air core holes were drilled for 3,446 metres across six east-west traverses which resulted in the encouraging nickel and copper assays.

Later that year, a short eight-hole reverse circulation (RC) drilling programme was carried out to test some of these anomalies beneath the base of weathering and/or to intersect the basal contact position of the ultramafic unit. A total of 1,199 metres were drilled, with most holes reaching target depth.

Results were generally consistent with the first drilling programme, with elevated nickel found within the upper, weathered portion of the holes drilled. Results included:

- FBRC001 57m @ 0.43% Ni & 71ppm Cu from 30m
- FBRC00 45m @ 0.52% Ni & 87ppm Cu from 39m

Ishine International Resources Limited formally withdrew from this joint venture in early 2012. All drill results from previous programmes are currently being reviewed, with a view to seeking a new joint venture partner.

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## **Oil & Gas Projects**

### **Offshore Gippsland Basin, Victoria Vic/P47 (SER 25%)**

The Vic/P47 exploration permit is located in the offshore Gippsland Basin, approximately 10 kilometres from the coast and south of the Victorian town of Orbost, with water depths ranging up to 80 metres.

Vic/P47 contains the Judith and Moby gas discoveries located close to existing and planned infrastructure in adjacent licences. The Judith discovery also contains certified gas resources (Gaffney Cline & Associates 2008) and 22 kilometres to the west, the Longtom Field has undertaken the first gas production from the same geological unit as Judith.

During the second quarter of 2012, an interpretation of the simultaneous seismic inversions undertaken on the reprocessed Moby 3D seismic volume and 200 square kilometres of the Northern Fields 3D seismic survey was completed. This work covered both the Judith and Moby fields and assisted in delineating the boundaries.

The joint venture is currently seeking farm partners to fund and operate appraisal and development operations, with evaluation and assessment continuing.



## Eastern Offshore Gippsland Basin, Victoria

Vic/P41 (SER 17.5%)

Vic/P66 (SER 23%)

Permits Vic/P41 and Vic/P66 are located adjacent to each other in the east of the offshore Gippsland Basin, approximately 40 kilometres south of the Victorian coast.

Extensions of two productive trends across its East Gippsland permits include:

- the eastward extension Rosedale Fault system which sets up prospects similar to the Kipper oil and gas field, greatly reducing associated drilling risks
- 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 covers 539 square kilometres and contains a number of large prospects defined on modern 3D seismic, notably Kipling, Benchley and Oscar. In June 2012, SER transferred a 7.5 per cent interest in the permit to ASX-listed Oil Basins Limited as contractual liabilities associated with the original farmin document had become arduous as the holding period progressed.

Vic/P66 covers 2,160 square kilometres and while containing a part of the 2D-defined 'Lead A' feature it is still at an early stage of exploration with clear potential to further extend the Rosedale trend into new areas.

A basin modelling project jointly funded by Vic/P41 and Vic/P66 has defined the nature of hydrocarbon charge in to the east Gippsland area, as well as the timing and migration pathways of this charge. It shows the area immediately south of the permits is mature and is modelled as having generated and expelled hydrocarbons at a time where they could migrate towards the basin margin and be trapped in the structures identified in the permits. The interpretation that the gas in the Sole Field is biodegraded thermogenic gas further enhances the concept of a "fill/spill chain" through the permit.

During the second quarter of 2012, work continued on both permits in preparation for acquiring the Stanton 3D seismic survey, with tenders under evaluation and an environmental plan being developed ready for submission to authorities. Vic/P41 and Vic/P66 are actively seeking farmin partners and has attracted credible interest, with assessment and evaluation continuing.

## **Onshore Petroleum Exploration Cooper Basin, South Australia (SER 5%)**

PEL-182 is an underexplored Cooper Basin exploration block on trend with other known oil and gas discoveries.

In 2010, SER sold its 37.6 per cent interest in PEL-182 to Innamincka Petroleum Limited and now holds a remaining five per cent of the permit with the licence currently under suspension. A further six month suspension and extension was granted during financial year.

## **Competent Persons Statements**

*The information in this report that relates to Resources and Exploration Results is based on information compiled by Albert Thamm who is a Fellow of the Australasian Institute of Mining and Metallurgy. Albert Thamm, who is an employee of Coffey Mining, 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. He has consented to the inclusion in the report of these matters based on his information in the form and context in which it appears.*

*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.*



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