



## Ionic Industries Demerger Capital Gains Tax Cost Base Allocation

---

Strategic Energy Resources Limited (ASX: SER) provides the following information in relation to the cost base for SER and Ionic Industries Limited (“Ionic”) shares following the recent demerger of 80% of the shares in Ionic from SER (“Demerger”). This information will be relevant only to persons who were SER shareholders on the Demerger record date (15 June 2015) (and who consequently received Ionic shares under the Demerger) and who hold those shares on capital account.

As advised in the Notice of Meeting dated 4 May 2015, for capital gains tax purposes an apportionment must be made between the cost bases of the shares in SER and Ionic based on the relative market values (or a reasonable approximation of the relative market values) of the two entities immediately after the Demerger. This must be done regardless of whether you have (or intend to) elect Demerger rollover relief.

There is no prescribed methodology for determining market value in this context, but one commonly accepted methodology is the 5 day Volume Weighted Average Price (VWAP).

The 5 day VWAP values for SER before and after the Demerger are set out below:

<b>5 Day VWAP for SER</b>	<b>SER shares on Issue</b>	<b>Value based on 5 Day VWAP</b>
5 trading days up to and including 10 June 2015 = \$0.0666 (6.66c)	348,622,501	\$23,218,258
5 Trading days after 10 June 2015 = \$0.0342 (3.42c)	348,622,501	\$11,922,889

The implied market value of the 80% of Ionic which was demerged from SER is therefore \$11,295,369 (being the difference between the values of SER before and after the Demerger).

The cost bases of shares in SER and Ionic could therefore be apportioned based on the following percentages:

<b>Entity</b>	<b>Value</b>	<b>Percentage</b>
Demerged 80% of Ionic	\$11,295,369	48.65%
SER	\$11,922,889	51.35%
<b>TOTAL COMBINED</b> (SER value pre Demerger)	\$23,218,258	100.00%

### **Example Calculation**

For example, say that you had (at the Demerger record date of 15 June 2015) a single parcel of 1000 SER shares, which you had purchased at 10 cents each. There were no other costs involved in your acquisition or holding of your shares in SER. Your total cost base in those shares was therefore \$100.

Under the Demerger, you received 1000 Ionic Shares.

To apportion the cost base for capital gains tax purposes, you would multiply your cost base by the relative market value percentages of the two entities. Applying the above VWAP based values, the cost bases in your shares after the Demerger would be as follows:

SER shares:  $\$100 \times 51.35\% = \$51.35$

Ionic shares:  $\$100 \times 48.65\% = \$48.65$

Shareholders are advised that the above is a simplified example only. The above information should be provided to your tax agent or advisor and you should obtain your own independent tax advice on how this information will apply to your particular circumstances.

### **Caution in Using Other Values**

It may be possible to use different reasonable approximations of the relative market values of SER and Ionic for cost base apportionment purposes, provided that the valuation methodology used is reasonable in the circumstances and is consistently applied. However, given that the 5 day VWAP is a commonly applied valuation method for listed shares, shareholders should be cautious about apportioning their cost bases on the basis of values other than those set out above. Any shareholders considering applying different values are encouraged to seek personal tax advice in this respect.

This information will also be made available on SER's website.

**For further information or enquiries, please contact:**

Melanie Leydin  
Company Secretary

Strategic Energy Resources Limited  
T: +61 (0)3 9692 7222