

Strategic Energy Resources Limited

ABN 14 051 212 429

Half-year Financial Report - 31 December 2020

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Strategic Energy Resources Limited
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31 December 2020



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Directors	Mr Stuart Rechner (Executive Chairman) Dr David DeTata (Non-Executive Director) Anthony McIntosh (Non-Executive Director, appointed on 8 October 2020)
Company secretary	Ms Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne VIC 3205 Ph: 03 9692 7222 Fax: 03 9077 9233
Principal place of business	Level 4, 100 Albert Road South Melbourne VIC 3205 Ph: 03 9692 7222 Fax: 03 9077 9233
Share register	Link Market Services Limited Tower 4, 727 Collins Street Melbourne, VIC 3008 Ph: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd Tower 5, Collins Square 727 Collins Street Melbourne VIC 3008
Stock exchange listing	Strategic Energy Resources Limited shares are listed on the Australian Securities Exchange (ASX code: SER)
Website	www.strategicenergy.com.au

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Strategic Energy Resources Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2020.

Directors

The following persons were Directors of Strategic Energy Resources Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Mr Stuart Rechner (Executive Chairman)
Dr David DeTata (Non-Executive Director)
Anthony McIntosh (Non-Executive Director, appointed on 8 October 2020)

Principal activities

During the period the principal continuing activities of the Consolidated Entity consisted of exploration for minerals in Australia.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to \$1,708,701 (31 December 2019: \$294,375).

The net assets of the Consolidated Entity increased by \$77,341 to \$2,623,720 as at 31 December 2020 (30 June 2020: \$2,546,379). The Consolidated Entity had net cash outflows from operating activities for the period of \$412,817 (31 December 2019: \$238,555). Working capital, being current assets less current liabilities, decreased by \$249,471 to \$651,748 (30 June 2020: \$901,219).

SER's goal is discovery of a major Copper-Gold deposit in the greenfield frontiers of Australia. Our strategy to achieve this is counter-cyclical project generation, cutting-edge technical exploration and risk-sharing via partnerships. Our activity over the six months to 31 December 2020 demonstrates how we do this.

Nearly two years ago, SER commenced investigating the East Tennant region as a potential new Iron Oxide Copper-Gold (IOCG) Province and started securing ground. Last year we expanded our footprint, winning key ground in a fiercely competed tender process. During the current period, field activities commenced with multiple large-scale, detailed ground gravity surveys. Nine compelling IOCG targets have been identified and drilling approvals are underway. The results from the recent Mineral Exploration Cooperative Research Centre (MinEx CRC) National Drilling Initiative (NDI) in East Tennant show key mineralising processes, such as the presence of major structures, hydrothermal alteration and base metal sulphides, and have confirmed East Tennant a new IOCG province.

SER drilled three diamond drill holes at our Saxby project in northwest Queensland targeting strike extensions of the key controlling structure for the brittle extensional veins that host gold mineralisation. Unfortunately, the prospect was considered of insufficient scale to be economic given the depth of cover. Learnings from this campaign have significantly increased our understanding of the greater Canobie district, and we have become convinced that the district represents an extension of the Cloncurry IOCG province. As such, SER pegged five additional exploration licences and commenced a comprehensive regional geophysical review to inform district-scale geophysical data collection and target generation.

During the reporting period, SER partnered with award-winning data science pioneer Caldera Analytics to search for IOCG mineralisation on the Gawler Craton in South Australia. As a result, the partnership pegged ELA2020/147 east of Coober Pedy based on a synthesis of machine learning and traditional geoscientific ground selection methods. Work is underway to now develop district and camp scale models that fuse machine learning and traditional exploration methodologies to refine target areas for further geophysics and subsequent drill testing.

Target generation efforts in NSW were rewarded with SER winning highly prized exploration licences in the Cobar Basin and Lachlan Fold Belt. The South Cobar project is located along strike and surrounding the undeveloped Browns Reef Zn-Pb-Cu volcanic massive sulphide deposit, while the East Cowal project is located 7km east of the operating Cowal Gold Mine and 4km north of the Marsden Copper-Gold porphyry deposit, both owned by Evolution Mining. Work this half began with geological/geochemical/geophysical reviews.

SER realised value from the sale of a non-core asset with the sale of ELA32228 to Resolution Minerals Ltd (ASX:RML). SER will continue to identify, secure and sell valuable exploration licences to fund our core projects.

SER has a busy year ahead in 2021 with exploratory drilling at East Tennant and Canobie, early exploration activities in NSW and potential drilling by our JV partners in South Australia. SER is well funded to advance our exploration programs with a recent capital raising of \$2.2m completed in January 2021.

Significant changes in the state of affairs

On 12 August 2020, the Company issued 412,500,000 fully paid ordinary shares (Shares) at an issue price of \$0.0034 (0.34 cents) per Share to professional, sophisticated and other exempt investors pursuant to the approval of shareholders granted on 10 August 2020.

In addition, on the same day the Company completed Unmarketable Parcel Share Sale Facility of fully paid ordinary shares for shareholders who hold less than a marketable parcel of shares.

On 12 August 2020, the Company issued 2,000,000 unlisted options expiring on 12 December 2022 at an exercise price of \$0.01 (1 cent) per option.

On 3 September 2020, the Company completed the consolidation of its share capital on a 10 to 1 basis, with fractional elements rounded up to the nearest whole number. The share capital consolidation was approved by shareholders at its General Meeting held on 10 August 2020.

On 7 October 2020, Mr Harvey Kaplan, Non-executive Director, has tendered his resignation and has been replaced by Mr Anthony McIntosh as a Non-executive Director.

On 28 November 2020, 6,250,000 unlisted options exercisable at \$0.10 (10 cents) have expired in accordance with the terms of the Options.

On 4 December 2020, the Company issued 9,600,000 Unlisted Options to current and former directors, exercise price \$0.10 (10 cents), expiring 4 December 2023.

On 15 December 2020, the Company has signed a binding term sheet with Resolution Minerals Ltd (ASX: RML) for a 12-month Option to purchase EL32228 which covers 663km² in the Northern Territory on Benmara Station (Tenement). RML has a 12-month Option to purchase a 100% interest in the Tenement and associated information from SER. During the Option Period, RML will be required to keep the tenement in good standing and have the tenement granted prior to the 2021 field season. The Consideration for the Option is 2,500,000 RML shares and to exercise the Option, RML shall pay SER \$250,000 in RML shares or cash, at RML's election.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial period.

Matters subsequent to the end of the financial period

On 18 January 2021, the Company was awarded with two exploration licences in NSW's Cobar Basin and Lachlan Fold Belt:

- EL9012 "South Cobar"; and
- ELA6137 "East Cowal".

Both tenements lie within NSW Mineral Allocation Areas (MAAs) covering extensions to known mineralised terranes.

On 3 February 2021, the Company issued 40,000,050 fully paid ordinary shares (Shares) at an issue price of \$0.043 (4.3 cents) per Share to professional, sophisticated and other exempt investors as announced on 28 January 2021. The funds from this capital raising will enable further geophysics and drilling at the Company's East Tennant and Canobie District Copper-Gold projects and general working capital requirements.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Mr Stuart Rechner
Executive Chairman

12 March 2021

Auditor's Independence Declaration

To the Directors of Strategic Energy Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Strategic Energy Resources and its subsidiaries for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 12 March 2021

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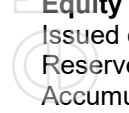
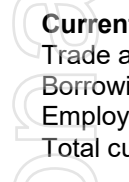
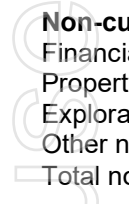
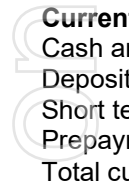
Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2020



		Consolidated	
	Note	31 December 2020	31 December 2019
		\$	\$
Other income	4	367,340	-
Interest income		2,842	6,490
Expenses			
Employee benefits expense		(83,910)	(71,754)
Share based payments	15	(401,300)	(62,263)
Corporate expenses		(151,789)	(94,606)
Other expenses		(11,279)	(32,676)
Tenement due diligence and other exploration expenses		(224,551)	(39,566)
Exploration expenditure written off	6	<u>(1,206,054)</u>	<u>-</u>
Loss before income tax expense		(1,708,701)	(294,375)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the period attributable to the Owners of Strategic Energy Resources Limited		(1,708,701)	(294,375)
Other comprehensive income			
<i>Items that will not subsequently be transferred to profit or loss</i>			
(Loss) / gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax	5	<u>657,980</u>	<u>(8,334)</u>
Other comprehensive income for the period, net of tax		<u>657,980</u>	<u>(8,334)</u>
Total comprehensive income for the period attributable to the Owners of Strategic Energy Resources Limited		<u>(1,050,721)</u>	<u>(302,709)</u>
		Cents	Cents
Basic earnings per share	14	(1.14)	(0.31)
Diluted earnings per share	14	(1.14)	(0.31)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Strategic Energy Resources Limited
Statement of financial position
As at 31 December 2020



		Consolidated	
	Note	31 December 2020	30 June 2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		297,131	945,246
Deposits and other receivables		54,171	70,879
Short term investments		500,000	-
Prepayments		23,637	29,476
Total current assets		<u>874,939</u>	<u>1,045,601</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	5	926,320	-
Property, plant and equipment		2,453	3,680
Exploration and evaluation assets	6	1,677,199	1,619,745
Other non-current assets		20,000	21,735
Total non-current assets		<u>2,625,972</u>	<u>1,645,160</u>
Total assets		<u>3,500,911</u>	<u>2,690,761</u>
Liabilities			
Current liabilities			
Trade and other payables		220,844	135,882
Borrowings		-	8,500
Employee provisions		2,347	-
Total current liabilities		<u>223,191</u>	<u>144,382</u>
Total liabilities		<u>223,191</u>	<u>144,382</u>
Net assets		<u>3,277,720</u>	<u>2,546,379</u>
Equity			
Issued capital	7	34,041,789	32,661,027
Reserves	8	1,121,543	352,911
Accumulated losses		(31,885,612)	(30,467,559)
Total equity		<u>3,277,720</u>	<u>2,546,379</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Strategic Energy Resources Limited
Statement of changes in equity
For the period ended 31 December 2020



Consolidated	Contributed equity \$	Reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	31,594,519	(23,565,766)	(6,160,461)	1,868,292
Loss after income tax expense for the period	-	-	(294,375)	(294,375)
Other comprehensive income for the period, net of tax	-	(8,334)	-	(8,334)
Total comprehensive income for the period	-	(8,334)	(294,375)	(302,709)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	300,000	-	-	300,000
Share-based payments (note 15)	-	62,263	-	62,263
Balance at 31 December 2019	<u>31,894,519</u>	<u>(23,511,837)</u>	<u>(6,454,836)</u>	<u>1,927,846</u>
Consolidated	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	32,661,027	352,911	(30,467,559)	2,546,379
Loss after income tax expense for the period	-	-	(1,708,701)	(1,708,701)
Other comprehensive income for the period, net of tax	-	657,980	-	657,980
Total comprehensive income for the period	-	657,980	(1,708,701)	(1,050,721)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	1,380,762	-	-	1,380,762
Share-based payments (note 15)	-	401,300	-	401,300
Lapse of options	-	(290,648)	290,648	-
Balance at 31 December 2020	<u>34,041,789</u>	<u>1,121,543</u>	<u>(31,885,612)</u>	<u>3,277,720</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Strategic Energy Resources Limited
Statement of cash flows
For the period ended 31 December 2020



	Consolidated	31 December	31 December
Note	2020	2019	2019
	\$	\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)	(463,497)	(244,156)	
Interest received	2,489	5,601	
COVID-19 incentives	68,191	-	
Other income and expenses net of costs	(20,000)	-	
	<u>(412,817)</u>	<u>(238,555)</u>	
Net cash used in operating activities			
Cash flows from investing activities			
Payments for exploration and evaluation	(1,087,560)	(333,412)	
Payments for security deposits	(20,000)	-	
Payments for term deposit	(500,000)	(20,000)	
	<u>(1,607,560)</u>	<u>(353,412)</u>	
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares	7 1,402,500	300,000	
Repayment of borrowings	(8,500)	-	
Cost of capital raising	(21,738)	-	
	<u>1,372,262</u>	<u>300,000</u>	
Net cash from financing activities			
Net decrease in cash and cash equivalents	(648,115)	(291,967)	
Cash and cash equivalents at the beginning of the financial period	945,246	1,054,254	
	<u>297,131</u>	<u>762,287</u>	
Cash and cash equivalents at the end of the financial period			

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Strategic Energy Resources Limited as a Consolidated Entity consisting of Strategic Energy Resources Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Strategic Energy Resources Limited's functional and presentation currency.

Strategic Energy Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 100 Albert Road
South Melbourne, VIC 3205

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 12 March 2021. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Note 2. Significant accounting policies (continued)

The working capital position as at 31 December 2020 of the Consolidated Entity results in an excess of current assets over current liabilities of \$651,748 (30 June 2020: \$901,219). The Consolidated Entity made a loss after tax of \$1,708,701 during the half-year ended 31 December 2020 (2019 loss: \$294,375) and had net operating cash outflows of \$412,817 (31 December 2019: \$238,555). The cash balances, including term deposits, as at 31 December 2020 was \$597,131 (30 June 2020: \$945,246). The continuing viability of the Consolidated Entity and its ability to continue as a going concern is dependent upon the Consolidated Entity being successful in its continuing efforts in exploration projects and accessing additional sources of capital to meet the commitments within one year from the date of signing the financial report.

On 3 February 2021, the Company issued 40,000,050 fully paid ordinary shares (Shares) at an issue price of \$0.043 (4.3 cents) per Share to professional, sophisticated and other exempt investors as announced on 28 January 2021. The funds from this capital raising will enable further geophysics and drilling at the Company's East Tennant and Canobie District Copper-Gold projects and general working capital requirements.

To meet additional funding requirements as and when they fall due the Consolidated Entity may take appropriate steps, including a combination of:

- Raising additional capital through the Consolidated Entity's existing placement capacity
- Subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled; and
- Meeting its obligations by farm-out of the Consolidated Entity's exploration interests.

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Should the Consolidated Entity be unable to obtain the funding as described above, there is a material uncertainty exists as to whether the Consolidated Entity will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Consolidated Entity be unable to continue as a going concern. Having carefully assessed the potential uncertainties relating to the Consolidated Entity's ability to effectively fund exploration activities and operating expenditures, the Directors believe that the Consolidated Entity will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Note 3. Operating segments

Identification of reportable operating segments

During the current financial year the Consolidated Entity operated in one segment being an explorer of base precious metals.

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In the current year the board reviews the Consolidated Entity as one operating segment being mineral exploration within Australia.

Revenue by geographical area

All assets and liabilities and operations are based in Australia.

Note 4. Other income

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Government grants	19,000	-
Sundry income	348,340	-
Other income	<u>367,340</u>	<u>-</u>

Note 4. Other income (continued)

Sale of Uley Graphite Royalty

On 16 June 2020, the Company has entered into an agreement to sell its 1.5% Gross Revenue Royalty on production from the Uley Graphite Project in South Australia to Vox Royalty Australia Pty Ltd (Vox Australia), a wholly owned subsidiary of Vox Royalty Corp (TSXV:VOX) (Vox Royalty) for total consideration of AUD\$500,000. The consideration comprises AUD 80,000 cash, AUD 200,000 in Vox Royalty shares upon satisfaction of certain completion conditions and AUD 220,000 in Vox Royalty shares upon commercial production at Uley.

The agreement was completed in July 2020, when certain conditions attached the agreement were satisfied. The Company received \$80,000 cash and Royalty shares worth AUD 200,000, which were recognised as other income in the financial statements. The remaining AUD 220,000 worth shares are contingent subject to commencement of commercial production at Uley, therefore not recognised in the financial statements.

Option to sell EL32228 Benmara Station (Tenement).

On 15 December 2020, the Company has signed a binding term sheet with Resolution Minerals Ltd (ASX: RML) for a 12-month Option to sell EL32228 which covers 663km² in the Northern Territory on Benmara Station (Tenement). RML has a 12-month Option to purchase a 100% interest in the Tenement and associated information from SER. During the Option Period, RML will be required to keep the tenement in good standing and have the tenement granted prior to the 2021 field season. RML issued 2,500,000 shares as the Consideration to SER for entering into the Option agreement, which is recognised as other income in the income statement.

In addition, RML shall pay SER \$250,000 (either in RML shares or cash, at RML's election) should they elected to exercise the purchase Option. Given this is contingent upon satisfying conditions beyond the Consolidated Entity's control, this additional amount is not recognised in the financial statements.

Note 5. Non-current assets - Financial assets at fair value through other comprehensive income

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$	\$
Equity investments in quoted equity shares	272,320	-
Equity investments in Ionic Industries Limited	654,000	-
	<u>926,320</u>	<u>-</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening balance	-	41,667
Fair value increments on Ionic Industries Limited	654,000	(25,000)
Disposal of investment in Pepinnini Lithium Limited	-	(16,667)
Additions: Vox Royalty Corp	97,500	-
Additions: Resolution Minerals Ltd	170,840	-
Revaluation increments Vox Royalty Corp	6,480	-
Revaluation decrements Resolution Minerals Ltd	(2,500)	-
Closing fair value	<u>926,320</u>	<u>-</u>

Note 5. Non-current assets - Financial assets at fair value through other comprehensive income (continued)

Investments in Vox Royalty Corp (TSXV:VOX)

On 16 June 2020, the Company has entered into an agreement to sell its 1.5% Gross Revenue Royalty on production from the Uley Graphite Project in South Australia to Vox Royalty Australia Pty Ltd (Vox Australia), a wholly owned subsidiary of Vox Royalty Corp (TSXV:VOX) (Vox Royalty) for total consideration of AUD\$500,000. The consideration comprises AUD 80,000 cash, AUD 200,000 in Vox Royalty shares upon satisfaction of certain completion conditions and AUD 220,000 in Vox Royalty shares upon commercial production at Uley.

The agreement was completed in July 2020, when certain conditions attached the agreement were satisfied. The Company received \$80,000 cash and Royalty shares worth AUD 200,000, which were recognised as other income in the financial statements with corresponding shares being recognised as a financial asset at fair value through other comprehensive income. These investments are revalued as per the Consolidated Entity's accounting policies at 31 December 2020.

Investments in Resolution Minerals Ltd (ASX: RML)

On 15 December 2020, the Company has signed a binding term sheet with Resolution Minerals Ltd (ASX: RML) for a 12-month Option to sell EL32228 which covers 663km² in the Northern Territory on Benmara Station (Tenement). RML has a 12-month Option to purchase a 100% interest in the Tenement and associated information from SER. During the Option Period, RML will be required to keep the tenement in good standing and have the tenement granted prior to the 2021 field season. RML issued 2,500,000 shares as the Consideration to SER for entering into the Option agreement, which is recognised as other income in the income statement with corresponding shares being recognised as a financial asset at fair value through other comprehensive income. These investments are revalued as per the Consolidated Entity's accounting policies at 31 December 2020.

Ionic Industries Limited (Ionic)

The Consolidated Entity holds 87,155,625 shares in Ionic Industries Limited (an unlisted company) valued at \$654,000 at 31 December 2020 using Level 2 measurement principles from the fair value hierarchy. Level 2 assets are financial assets that do not have regular market pricing but whose fair value can be determined based on other data values or market prices. Specifically, in the case of Ionic this by reference to material capital raising completed on an arm's length basis.

Gasfields Limited (ASX:GFS)

The Consolidated Entity currently holds 20,000,000 fully paid ordinary shares in Gasfields Limited (ASX:GFS), which have been valued at \$Nil. During the year the ASX delisted GFS from the ASX and therefore management has continued to carry the investment at Nil value.

Refer to note 9 for further information on fair value measurement.

Investment in Pepinnini Lithium Limited

On 4 March 2019, the Consolidated Entity acquired 16,666,667 fully paid ordinary shares in Pepinnini Lithium Limited (ASX: PNN) at \$0.003. The Consolidated Entity disposed these investments during March 2020 for a cash consideration of \$16,667.

Note 6. Non-current assets - exploration and evaluation assets

	Consolidated	
	31 December	30 June 2020
	2020	
	\$	\$
Exploration and evaluation assets - at cost	<u>1,677,199</u>	<u>1,619,745</u>

Note 6. Non-current assets - exploration and evaluation assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

Consolidated	Exploration \$
Balance at 1 July 2020	1,619,745
Expenditure during the half-year	1,263,508
Impairment of assets	<u>(1,206,054)</u>
Balance at 31 December 2020	<u><u>1,677,199</u></u>

Note 7. Equity - issued capital

	Consolidated			
	31 December 2020 Shares	30 June 2020 Shares	31 December 2020 \$	30 June 2020 \$
Ordinary shares - fully paid	<u>160,000,000</u>	<u>118,750,000</u>	<u>34,041,789</u>	<u>32,661,027</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2020	118,750,000	32,661,027
Issue of fully paid ordinary shares	12 August 2020	41,250,000	1,402,500
Capital raising costs		<u>-</u>	<u>(21,738)</u>
Balance	31 December 2020	<u>160,000,000</u>	<u>34,041,789</u>

On 3 September 2020, the Company completed the consolidation of its share capital on a 10 to 1 basis, with fractional elements rounded up to the nearest whole number. The share capital consolidation was approved by shareholders at its General Meeting held on 10 August 2020.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 8. Equity - reserves

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
Financial assets at fair value through other comprehensive income reserve	657,980	-
Options reserve	463,563	352,911
	<u>1,121,543</u>	<u>352,911</u>

Note 8. Equity - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial period are set out below:

Consolidated	Options reserve \$	Financial assets at fair value reserve \$	Total \$
Balance at 1 July 2020	352,911	-	352,911
Share based payments	401,300	-	401,300
Lapse of options	(290,648)	-	(290,648)
Revaluation increments on financial assets at fair value	-	657,980	657,980
Balance at 31 December 2020	<u>463,563</u>	<u>657,980</u>	<u>1,121,543</u>

Note 9. Fair value measurement

Fair value hierarchy

The following tables detail the Consolidated Entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Consolidated - 31 December 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Ordinary shares	<u>272,320</u>	<u>654,000</u>	-	<u>926,320</u>
Total assets	<u>272,320</u>	<u>654,000</u>	-	<u>926,320</u>

There were no transfers between levels during the financial period.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2

The Consolidated Entity's investments in unquoted equity investments are not traded in active markets. This investment have been fair valued using observable market transactions. The fair value estimate has been determined from the perspective of a market participant that holds these equity instrument as assets at 31 December 2020.

Factors such as involvement of independent brokers, participation by wide range shareholders (both new and existing), significance of the capital raised and controls are considered in determining the fair value used for valuation purposes.

Note 10. Contingent liabilities

The Consolidated Entity had no contingent liabilities at 31 December 2020 and 30 June 2020.

Note 11. Commitments

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$	\$
Exploration Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	574,000	143,986
One to five years	1,825,000	603,014
	<u>2,399,000</u>	<u>747,000</u>

In order to maintain current rights to tenure to exploration and mining tenements, the consolidated entity has the above exploration expenditure requirements up until expiry of leases. These obligations, which may be varied from time to time and which are subject to renegotiation upon expiry of the lease are not provided for in the financial report and are payable.

Within the mineral industry it is common practice for companies to farm-out, transfer or sell a portion of their exploration rights to third parties or to relinquish some exploration and mining tenements altogether, and as a result obligations will be significantly reduced or extinguished altogether. The farm-in partners also expended funds on the permits during the period which can result in work programs for certain periods being met.

Note 12. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December	30 June 2020
		2020	2020
		%	%
Strategic Nickel Pty Ltd	Australia	100.00%	100.00%
Strategic Sands Pty Ltd	Australia	100.00%	100.00%
Strategic Caldera Pty Ltd	Australia	100.00%	-

Note 13. Events after the reporting period

On 18 January 2021, the Company was awarded with two exploration licences in NSW's Cobar Basin and Lachlan Fold Belt:

- EL9012 "South Cobar"; and
- ELA6137 "East Cowal".

Both tenements lie within NSW Mineral Allocation Areas (MAAs) covering extensions to known mineralised terranes.

On 3 February 2021, the Company issued 40,000,050 fully paid ordinary shares (Shares) at an issue price of \$0.043 (4.3 cents) per Share to professional, sophisticated and other exempt investors as announced on 28 January 2021. The funds from this capital raising will enable further geophysics and drilling at the Company's East Tennant and Canobie District Copper-Gold projects and general working capital requirements.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 14. Earnings per share

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Loss after income tax attributable to the Owners of Strategic Energy Resources Limited	<u>(1,708,701)</u>	<u>(294,375)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>150,412,162</u>	<u>94,864,130</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>150,412,162</u>	<u>94,864,130</u>
	Cents	Cents
Basic earnings per share	(1.14)	(0.31)
Diluted earnings per share	(1.14)	(0.31)

Note 15. Share-based payments

On 12 August 2020, the Company issued 200,000 unlisted options expiring on 12 December 2022 at an exercise price of \$0.1 (10 cent) per option.

On 4 December 2020, the Company issued 9,600,000 Unlisted Options to current and former directors, exercise price \$0.10 (10 cents), expiring 4 December 2023.

The grant of the share options was approved by shareholders at the general meeting on 10 August 2020 and Annual General Meeting held on 18 November 2020, respectively.

Set out below are summaries of options granted under the plan:

31 December
2020

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
27/11/2017	28/11/2020	\$0.1000	6,250,000	-	-	(6,250,000)	-
12/12/2019	12/12/2022	\$0.1000	2,000,000	-	-	-	2,000,000
12/08/2020	12/12/2022	\$0.1000	-	200,000	-	-	200,000
04/12/2020	04/12/2023	\$0.1000	-	9,000,000	-	-	9,000,000
04/12/2020	12/12/2022	\$0.1000	-	600,000	-	-	600,000
			8,250,000	9,800,000	-	(6,250,000)	11,800,000

31 December
2019

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
04/05/2016	30/04/2019	\$0.2320	2,150,000	-	-	(2,150,000)	-
27/11/2017	28/11/2020	\$0.1000	6,250,000	-	-	-	6,250,000
12/12/2019	12/12/2022	\$0.1000	-	2,000,000	-	-	2,000,000
			8,400,000	2,000,000	-	(2,150,000)	8,250,000

Note 15. Share-based payments (continued)

For the options granted during half-year, the Consolidated Entity used a Black-Scholes valuation model, with the following inputs used to determine the fair value at grant date:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
12/08/2020	12/12/2022	\$0.0800	\$0.1000	137.00%	0.26%	\$0.073
04/12/2020	04/12/2023	\$0.0600	\$0.1000	134.00%	0.11%	\$0.041
04/12/2020	12/12/2022	\$0.0600	\$0.1000	135.00%	0.10%	\$0.034

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Strategic Energy Resources Limited
Directors' declaration
31 December 2020



In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in dark ink, appearing to read 'Stuart Rechner', is written over a horizontal line.

Mr Stuart Rechner
Executive Chairman

12 March 2021

Independent Auditor's Review Report

To the Members of Strategic Energy Resources Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Strategic Energy Resources (the Company) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Strategic Energy Resources Limited does not comply with the *Corporations Act 2001* including:

- giving a true and fair view of the Strategic Energy Resources Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$1,708,701 during the half year ended 31 December 2020. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 12 March 2021