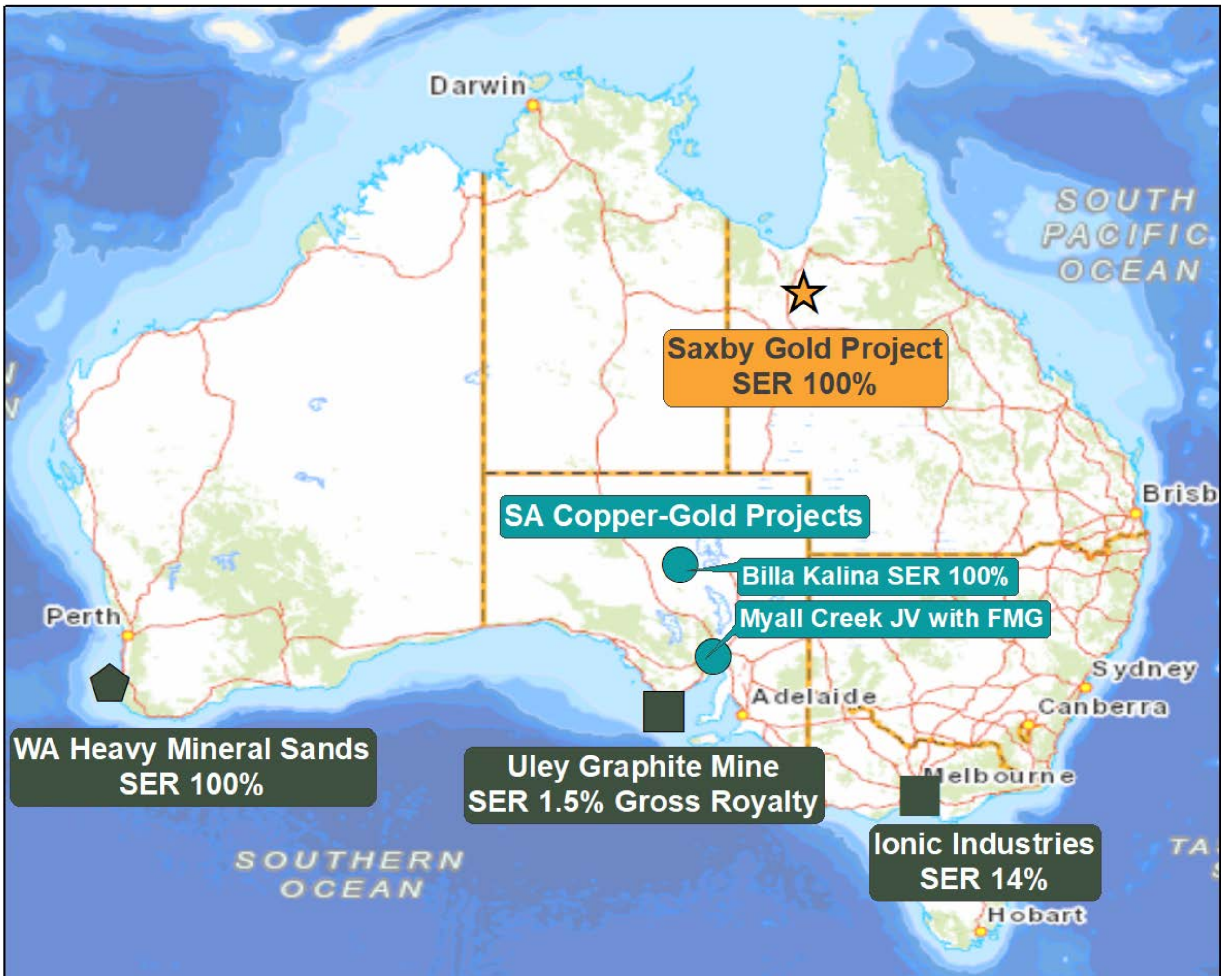
Strategic Energy Resources Limited

ABN 14 051 212 429

Annual Report - 30 June 2019


Darwin
SOUTH PACIFIC OCEAN
Saxby Gold Project
SER 100%
SA Copper-Gold Projects
Billa Kalina SER 100%
Myall Creek JV with FMG
Perth
Adelaide
Sydney
Canberra
Melbourne
WA Heavy Mineral Sands
SER 100%
Uley Graphite Mine
SER 1.5% Gross Royalty
Ionic Industries
SER 14%
SOUTHERN OCEAN
Hobart

Directors	Mr Stuart Rechner (Executive Chairman) Mr Harvey Kaplan (Non-Executive Director) Dr David DeTata (Non-Executive Director)
Company secretary	Ms Melanie Leydin
Notice of annual general meeting	The company will hold its annual general meeting of shareholders on 25 November 2019.
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 Docklands Vic, 3008 Ph: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne VIC 3008
Stock exchange listing	Strategic Energy Resources Limited securities are listed on the Australian Securities Exchange (ASX code: SER)
Website	www.strategicenergy.com.au
Corporate Governance Statement	Corporate governance statements are available in Group's website. Please refer to https://www.strategicenergy.com.au/corporate-governance/

SER has made significant progress across our projects and generated a number of new opportunities. Our share price has shown a sustained 20% increase since this time last year.

In Copper-Gold, SER and Fortescue Metals Group concluded a Farm-In and Joint Venture Agreement to explore SER's Myall Creek project in South Australia. SER also applied for and won Exploration Licence EL6335 "Billa Kalina" in the Olympic Copper-Gold Province.

In Gold, SER completed final preparations for the 2019 drilling of the Saxby gold project, the most significant gold exploration prospect in the northeast Mt Isa Province region.

In Heavy Mineral Sands, SER completed an internal techno-economic analysis of the Ambergate Heavy Mineral Sands project and has decided to advance the project. SER also lodged a Mining Lease application over the Jangardup South deposit.

SER's strategy is counter-cyclical project generation followed by cutting-edge technical exploration. We generated our current projects at very low cost when these commodities were unfashionable. Now market conditions for Copper, Gold and Heavy Mineral Sands have improved dramatically. SER is already generating the next series of projects and we look forward to sharing details with shareholders in the near future.

As exploration becomes more challenging, fewer companies are undertaking true greenfields exploration. Discovery rates are declining, and the pipeline of emerging mines for the major mining companies is running dry. This presents an opportunity for SER with our undercover exploration experience and stable shareholder cohort committed to long-term value creation.

To further enhance SER's strengths of identifying new search spaces and conducting high-quality technical exploration, SER joined the Mineral Exploration Cooperative Research Centre (MinEx CRC), the world's largest mineral exploration collaboration. SER is one of only two exploration companies admitted to participate in this collaboration of major mining companies, research organisations and all the Geological Surveys of Australia. MinEx CRC will develop new exploration tools to discover the next generation of mineral deposits in under-explored areas of Australia and SER will be there as it happens.

SER remains well funded to conduct our ongoing operations. We run a very low cost company and management are major shareholders alongside you. We thank all shareholders for their continued support and look forward to an exciting year ahead.

Sincerely

Stuart Rechner

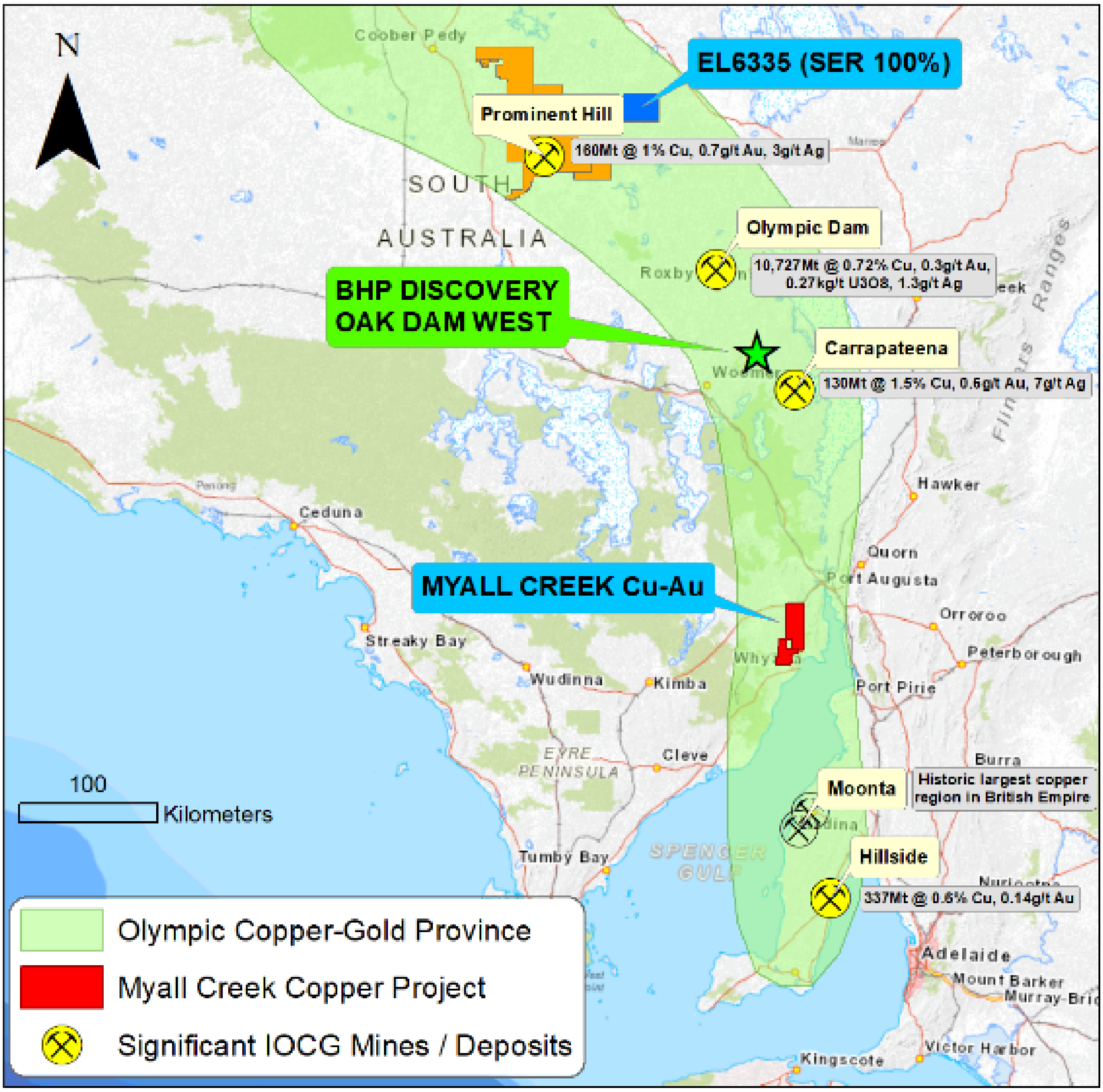
Executive Chairman

MYALL CREEK COPPER-GOLD PROJECT

SOUTH AUSTRALIA (SER 100%, FMG earning-in)

In June 2019, SER and FMG Resources Pty Ltd executed a Farm-In and Joint Venture Agreement to explore SER's Myall Creek Copper-Gold project in South Australia. FMG Resources Pty Ltd is a subsidiary of Fortescue Metals Group Limited (ASX:FMG; market capitalisation > AUD$20B).

Under the Agreement, FMG will spend $1.5m on exploration, including a minimum of 1500m drilling, at Myall Creek to earn an 80% interest in the project.



Sources: BHP Annual Report 2018; OZL Annual Report 2017; RXM Web Site

Figure 1: SER's Copper-Gold Projects within the Olympic Cu-Au Province

FMG will manage exploration, satisfy all expenditure requirements and keep the tenements in good standing. After FMG have earned-in, a joint venture will be formed under which each party will contribute pro-rata (FMG 80%, SER 20%) to further exploration and development or be diluted in accordance with industry standard formula.

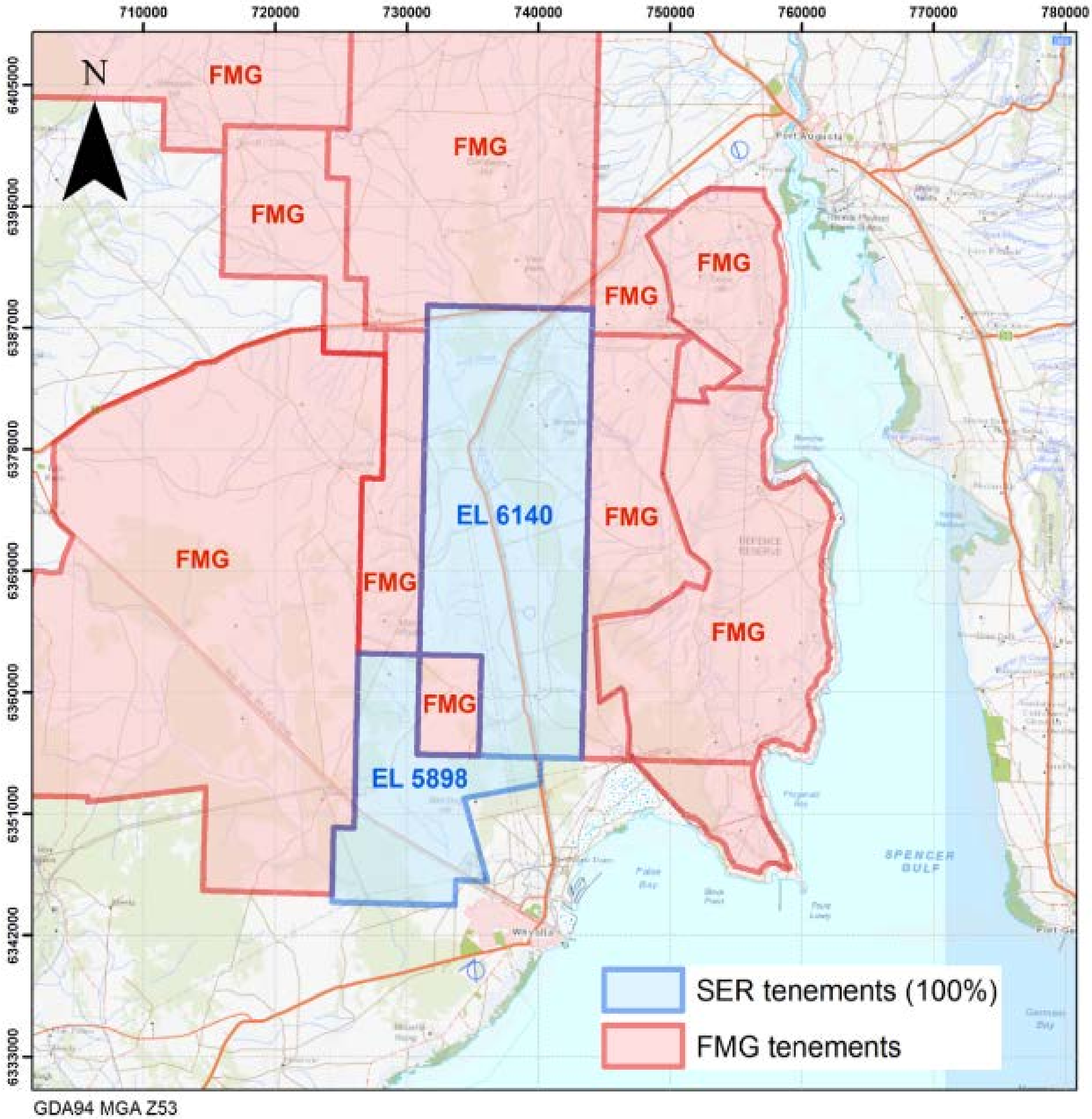


Figure 2: SER's Myall Creek project (blue) and surrounding FMG tenements

At Myall Creek, SER and FMG are targeting Iron Oxide Copper-Gold (IOCG) mineralisation in the Proterozoic basement and sediment-hosted mineralisation in the overlying sediments. Key IOCG host rocks are present within the project area and overlying sediments include a 15km zone with anomalous copper in historic drilling.

BILLA KALINA COPPER-GOLD PROJECT
SOUTH AUSTRALIA (SER 100%)

During the year, SER applied for, won and was granted Exploration Licence EL6335 "Billa Kalina" in the Olympic Copper-Gold Province.

SER won EL6335 in a competitive process following BHP's announcement of a significant IOCG discovery at Oak Dam West. EL6335 lies to the east of the recently completed "Explorer Challenge" competition under which OZ Minerals awarded AUD$1m in prize money for innovative ideas to discover copper-gold deposits in this part of the Olympic Copper-Gold Province.

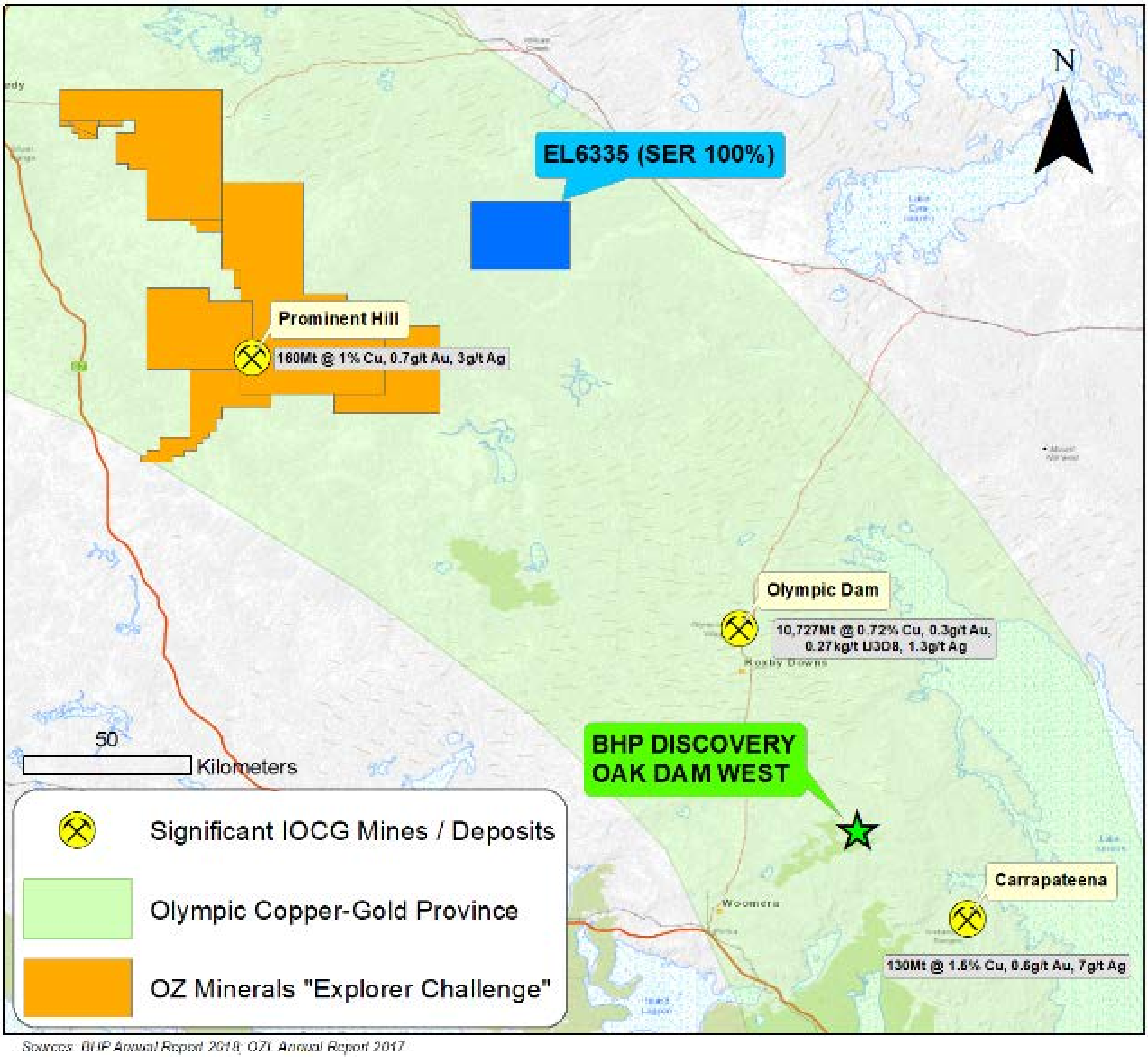


Figure 3: Location of EL6335 within the Olympic Cu-Au Province

EL6335 covers coincident and offset gravity and magnetic anomalies approximately 60km northeast of the Prominent Hill copper-gold mine. A major NW/SE trending crustal structure runs through the project area adjacent to the gravity anomaly.

The gravity and magnetic anomalies at EL6335 are not new. In fact, the anomalies were drill tested with two holes in 1977-78 by Newmont. The historic holes, SR11 (maximum depth 103.9m) and SR12 (399m), targeted the anomalies but failed to reach basement and explain the anomalous responses. The source of the geophysical anomalies remains unknown and there has been no further drilling within EL6335.

The key geophysical anomalies in this region of the northeastern Gawler Craton are mostly held by major companies such as BHP, OZ Minerals and FMG (see Figure 5).

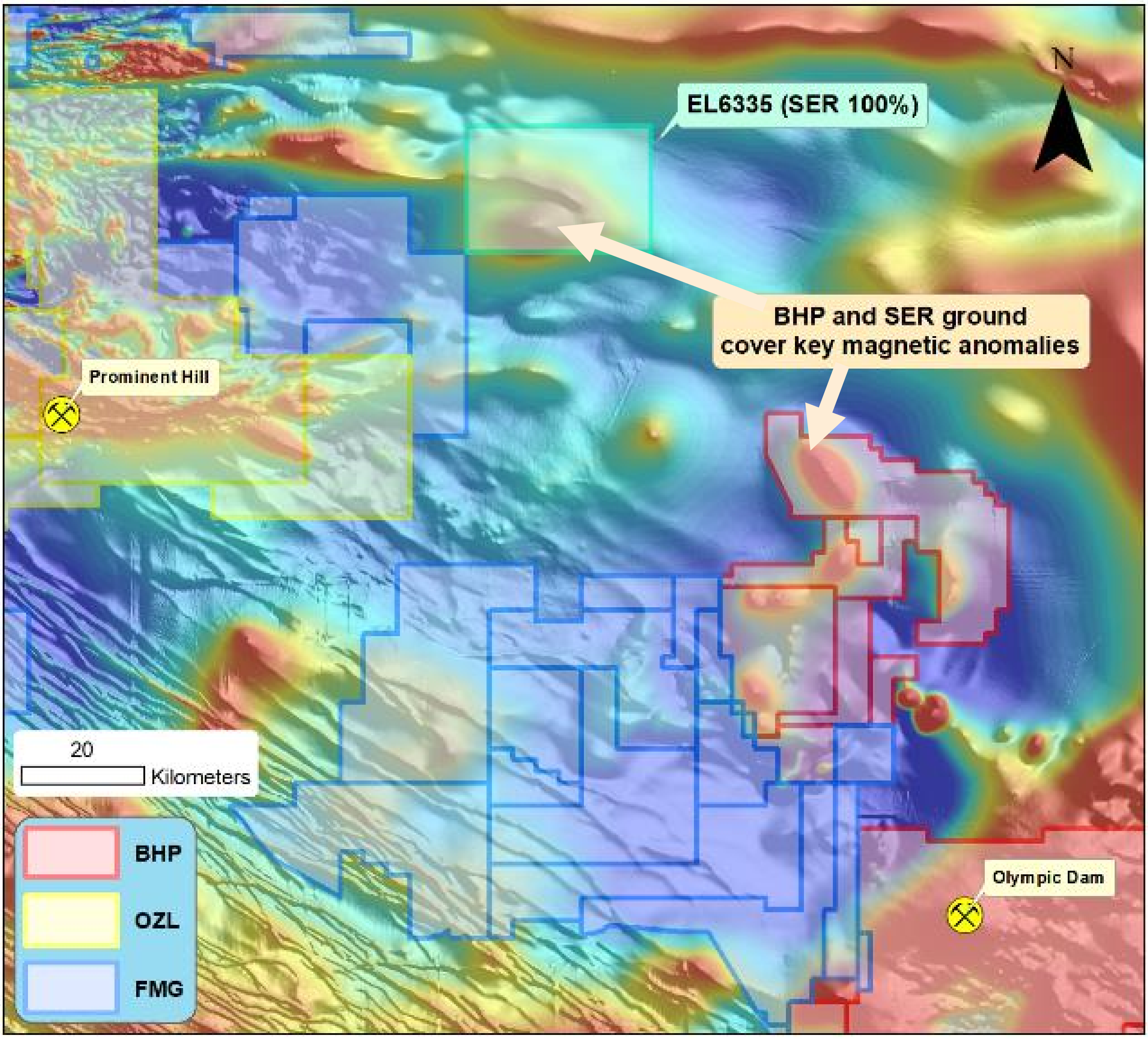


Figure 4: RTP Magnetics image of northeastern Gawler Craton showing major land holdings and key anomalies

SER has designed and commissioned the infill gravity survey to define the highest priority drill target which we intend to test with a single deep drill hole. The survey will be conducted during 2019. SER is familiar with the area incorporated by EL6335, with staff having conducted a ground gravity survey at the location in 2014.

SAXBY GOLD PROJECT

QUEENSLAND (SER 100%)

Over the financial year, SER has been preparing for drilling at the Saxby gold project in northwest Queensland.

The Saxby gold project is the most significant gold exploration prospect in the northeast Mt Isa Province region. Historic drilling includes high grade intersections of 17m @ 6.75g/t Au (including 9m @ 11.27g/t Au) and 15m @ 9.09 g/t Au (including 8m @ 15.1g/t Au) in two holes 190m apart. SER is targeting gold mineralisation hosted in basement rocks of the Eastern Succession of the Mt Isa Province buried beneath younger sedimentary cover of the Carpentaria Basin.

Several potential joint venture partners conducted thorough due diligence on the Saxby project throughout the year and SER would welcome a firm proposal from any of those groups. In the absence of a joint venture partner, SER will sole-fund the upcoming drill program.

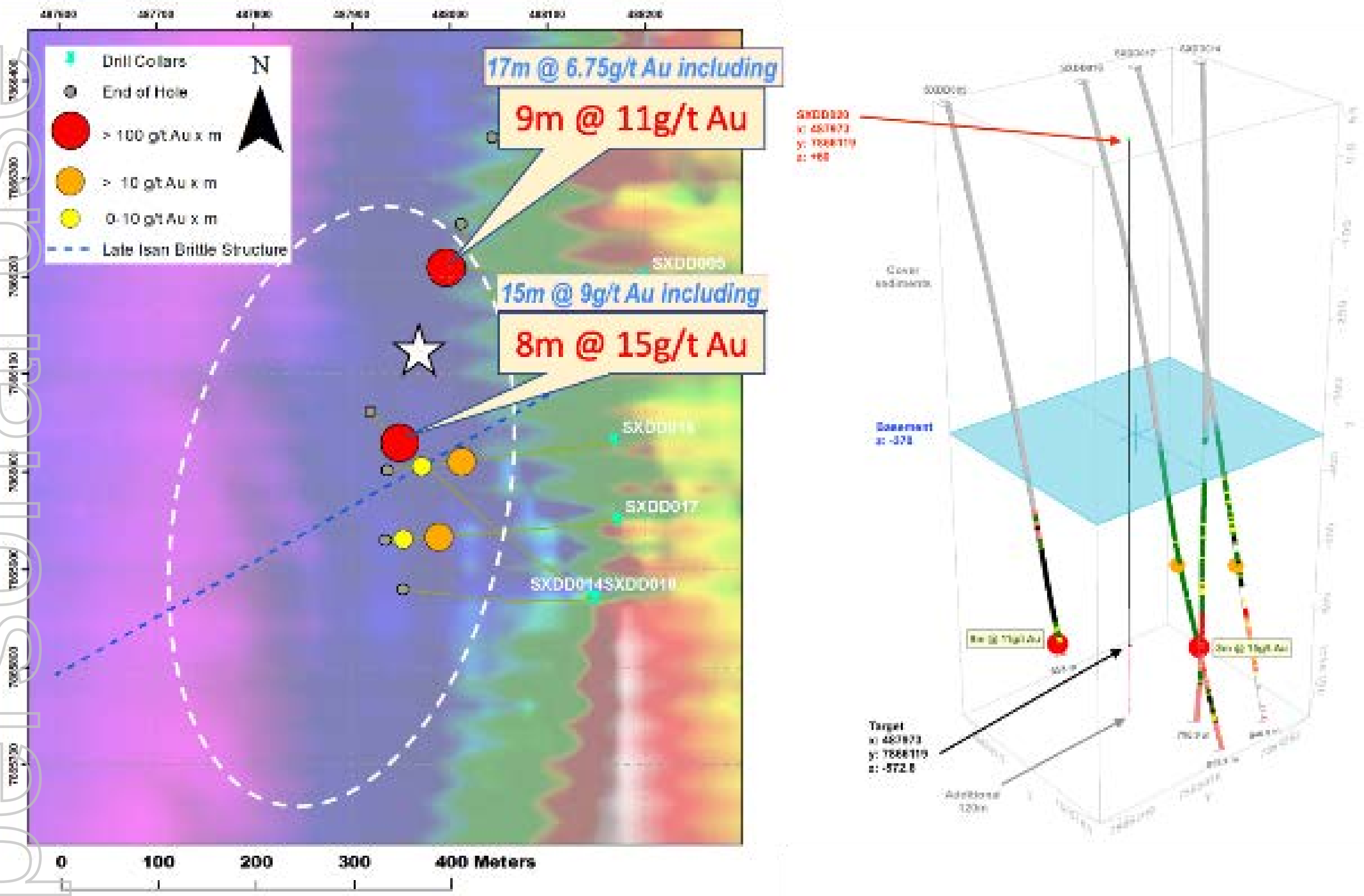


Figure 5: Previous drilling at Saxby over Magnetics (left) and proposed drilling into high grade gold intercept area

AMBERGATE HEAVY MINERAL SANDS

WESTERN AUSTRALIA (SER 100%)

SER completed an internal techno-economic analysis of the Ambergate Heavy Mineral Sands project and decided to advance the project. This early stage analysis will not satisfy ASX and JORC requirements and thus the results will not be released publicly. Market conditions for Heavy Mineral Sands continued to improve throughout the financial year.

At Ambergate, SER has defined a JORC 2012 Inferred Mineral Resource of **11.2Mt grading 5.1% Heavy Minerals for a total Heavy Mineral content of 569,000t.**[1] The next step will be to upgrade the category of resource and commence metallurgical test work.

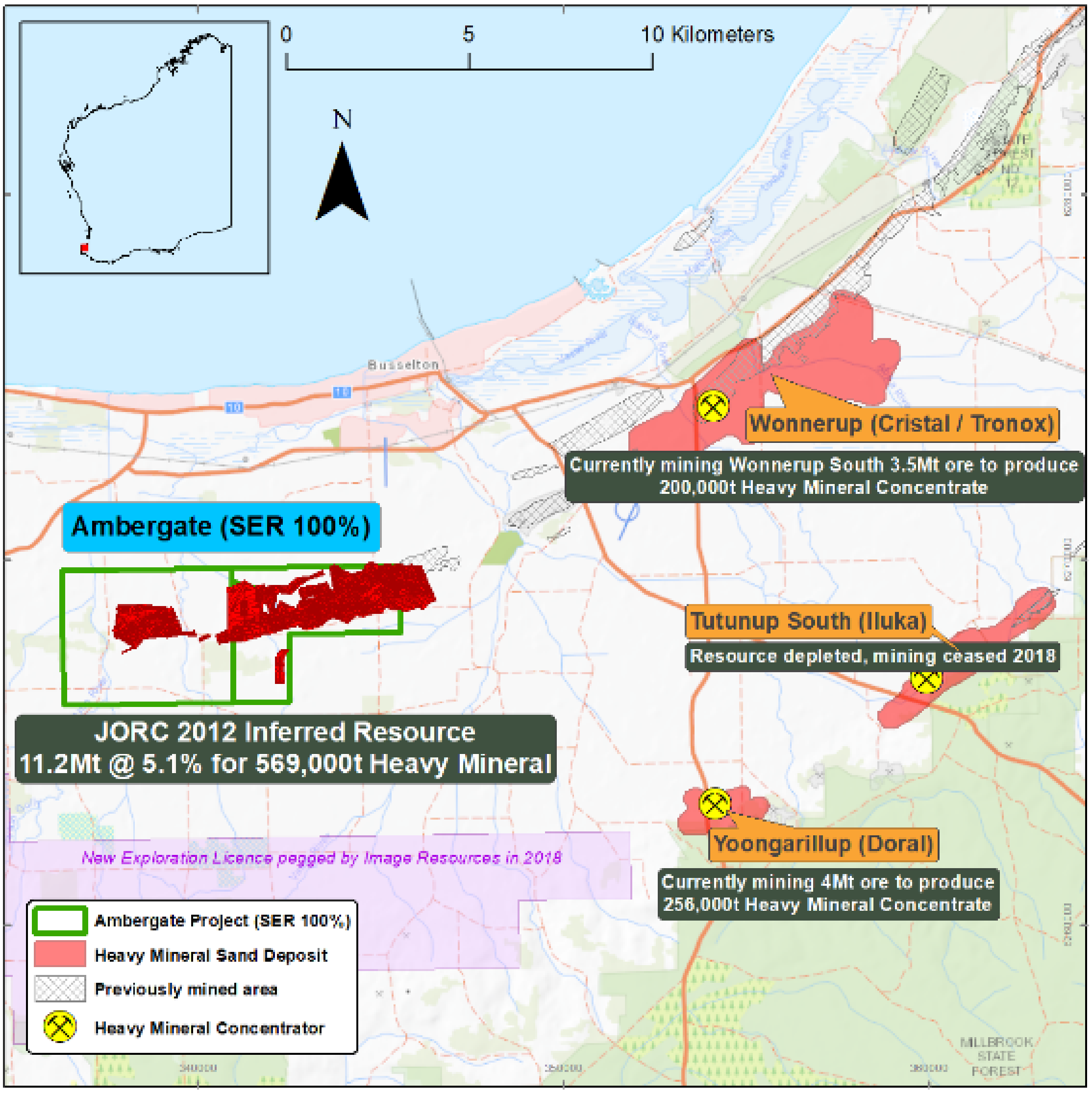


Figure 6: Ambergate Heavy Mineral Resource with surrounding heavy mineral mines[2]

---

[1] *See SER Annoucement of 17 April 2018: https://www.asx.com.au/asxpdf/20180417/pdf/43t8d8c99g8f1c.pdf*

[2] *Sources: Mining Proposal for the Wonnerup South Mineral Sands Deposit (Cristal); Yoongarillup Mineral Sands Project PER (Doral)*

Market conditions for Heavy Mineral Sands continued to improve throughout the financial year with strong growth and increasing commodity prices for titanium dioxide feedstocks and zircon driven by global urbanisation. Both are quality of life products with consumption increasing with global consumer affluence. The average Australian consumes more than two kilograms of titanium dioxide pigment per year. The average consumption in China is around half this amount, though this is changing rapidly.[3] In addition to increasing demand, Heavy Mineral Sands has seen a significant inventory depletion in recent years. Existing producers' mines are mature and grade decline is imminent.[4]

JANGARUDP SOUTH HEAVY MINERAL SANDS

WESTERN AUSTRALIA (SER 100%, APPLICATION ONLY)

In August 2018, SER lodged Mining Lease application M70/1385 over the Jangardup South heavy mineral sands deposit in southwest Western Australia. The application area lies 4km south of the historic Jangardup deposit which was mined from 1994-2003 by Cable Sands. SER is conducting detailed investigations to consider potential environmental impacts of operations at Jangardup South as the application is near the D'Entrecasteaux National Park.

SURRENDER OF OTHER HEAVY MINERAL SANDS PROJECTS

Following detailed reviews, SER surrendered several other West Australian Heavy Mineral Sands exploration licences throughout the year. SER considered technical factors such as grade, tonnage, mineral assemblage / quality, slimes content, strip ratio and non-technical issues including existing land-use. The surrender of these licences will allow greater focus on the highest potential projects.

SER JOINS MINERAL EXPLORATION COOPERATIVE RESEARCH CENTRE

SER joined the Mineral Exploration Cooperative Research Centre (MinEx CRC), the world's largest mineral exploration collaboration. The $218 million collaboration is underpinned by $50 million in Federal Government funding. Participants include major mining companies (BHP, South32, Anglo American); the Mining Equipment, Technology and Services (METS) sector; research organisations; together with Geoscience Australia and all the Geological Surveys in Australia. Only two exploration companies have been admitted to participate in this collaboration.

The primary focus of the MinEx CRC is the development of new exploration tools and ways to deploy them to reduce the cost of drilling and increase the quantity and quality of data collected from the subsurface. The CRC will also conduct the National Drilling Initiative (NDI) - a collaboration with Geological Surveys and researchers that will undertake drilling in under-explored areas of potential mineral wealth in Australia.

INVESTMENTS AND CORPORATE

SER remains well funded to advance our current exploration projects and seize new opportunities in mineral exploration. During and immediately after the financial year, SER made a number of select placements to shareholders.

On 14 August 2018, SER made a placement of 44,000,000 new fully paid ordinary shares at an issue price of $0.005 (0.5 cents) per share raising a total of $220,000.

On 7 December 2018, SER made a placement of 16,000,000 fully paid ordinary shares at an issue price of $0.005 (0.5 cents) per share raising a total of $80,000.

On 5 July 2019, SER made a placement of 50,000,000 new fully paid ordinary shares at an issue price of $0.006 (0.6 cents) per share to raise $300,000.

IONIC INDUSTRIES LTD (SER 14%)

Over the year Ionic Industries Ltd (Ionic) continued development and commercialisation of graphene-based water treatment and supercapacitor technologies.

Ionic formed a Joint Venture (JV) with Clean TeQ Holdings Ltd (ASX:CLQ) to commercialise graphene-based water treatment technologies. The formation of the JV was a significant milestone demonstrating that Ionic's graphene technology is attracting

[3] *Source: ARTIKOL, March 2019*
[4] *Source: Iluka, March 2019: https://www.asx.com.au/asxpdf/20190320/pdf/443mz0w933ysv3.pdf*

the attention of major industry players. The JV will focus on commercial scale production of Graphene Oxide Membranes and water purification modules targeted at wholesale and retail customers.

Ionic signed a Letter of Intent (LoI) with US technology company Nanothings Inc. for development of graphene supercapacitors for Internet of Things (IoT) applications. The Ionic / Nanothings LoI is a significant step towards commercialising Ionic's Origami Supercapacitor technology and demonstrates a potential first customer. Ionic completed the first commercial prototype supercapacitors and the devices are currently in a testing phase to confirm suitability for use with Nanothings' Nanotag devices.

About Ionic
Ionic is Australia's first company focused on the commercialisation of graphene technologies. Ionic is the commercialisation partner of the Nano-scale Science and Engineering Laboratory (NSEL) at Monash University for a range of graphene-based technologies.

QUANTUM GRAPHITE (SER 1.5% Gross Revenue Royalty)

SER retains a 1.5% Gross Revenue Royalty on production from the Uley Graphite Mine.

CAPITAL

SER remains well funded to advance our current exploration projects and seize new opportunities in mineral exploration. During and immediately after the financial year, SER made a number of select placements to shareholders.

On 14 August 2018, the consolidated entity issued 44,000,000 fully paid ordinary shares raising a total of $220,000 (before costs).

On 7 December 2018, the consolidated entity issued 16,000,000 fully paid ordinary shares raising a total of $80,000 (before costs).

On 5 July 2019, SER made a placement of 50,000,000 new fully paid ordinary shares at an issue price of $0.006 (0.6 cents) per share to raise $300,000.

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 year ended 30 June 2019.

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

Mr Stuart Rechner (Executive Chairman)
Mr Harvey Kaplan (Non-Executive Director)
Dr David DeTata (Non-Executive Director)

Principal activities
During the financial year 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 year.

Financial Results
The loss for the consolidated entity after providing for income tax amounted to $694,845 (30 June 2018: $766,260).

Operating expenses for the year $719,629 (2018: $806,437). Corporate expenses amounted to $265,440 (2018: $248,381) resulting from continuing operations. Employee benefit expenses amounted to $146,062 (2018: $133,494). There were no performance rights or share options issued to directors or employees during the year (2018: $290,648).

The net assets of the consolidated entity decreased by $358,300 to $1,868,292 (2018: $2,226,592) as at 30 June 2019. The movements during the period was largely due to the current period losses of $694,845 and $300,000 capital raised during the year. Working capital, being current assets less current liabilities, decreased by $626,563 to $996,246 (2018: $1,622,809). The consolidated entity had a net cash outflows from operating activities for the period of $572,995 (2018: $409,575).

The review of operations preceding this report outlines the exploration activities and corporate matters for the year.

Significant changes in the state of affairs
On 14 August 2018, the consolidated entity issued 44,000,000 fully paid ordinary shares raising a total of $220,000 (before costs).

On 7 December 2018, the consolidated entity issued 16,000,000 fully paid ordinary shares raising a total of $80,000 (before costs).

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
Subsequent to the end of the year the consolidated entity issued 50,000,000 fully paid ordinary shares at an issue price of $0.006 (0.6 cents) per share raising $300,000 (before costs). There are no matters or circumstances have arisen since 30 June 2019 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.

Likely developments and expected results of operations
The consolidated entity will continue to pursue its objective of maximising value of its investments held in exploration assets through continued exploration of areas of interest and sale of interests in permits held.

The consolidated entity's focus for the coming periods will be on advancing its exploration projects and reviewing additional potential exploration project acquisitions.

Environmental regulation

The consolidated entity holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. To the best of the Directors' knowledge, the consolidated entity has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' report.

Information on directors

Name:	Mr Stuart Rechner
Title:	Executive Chairman
Experience and expertise:	Mr Rechner BSc LLB MAIG GAICD is an experienced company Director with a background in project generation and acquisition. Mr Rechner holds degrees in both geology and law and is a member of the Australian Institute of Geoscientists and the Australian Institute of Company Directors. For over ten years Mr Rechner was an Australian diplomat responsible for the resources sector with postings to Beijing and Jakarta.
Other current directorships:	Kingston Resources Limited (ASX: KSN)
Former directorships (last 3 years):	Kalia Limited (ASX: KLH) - Resigned 28 September 2017
Interests in shares:	20,000,000 fully paid ordinary shares
Interests in options:	22,500,000 unlisted options exercisable at $0.01 (1 cent) per option on or before the 28 November 2020

Name:	Mr Harvey Kaplan
Title:	Non-Executive Director
Experience and expertise:	Mr Kaplan has spent the last 15 years at Macquarie Bank as an Associate Director in the Private Wealth Division where he has assisted in numerous corporate transactions and capital raisings involving listed companies. Mr Kaplan is a qualified lawyer and has worked as a corporate solicitor for both Phillips Fox and Mallesons Stephen Jacques.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Nil
Interests in options:	20,000,000 unlisted options exercisable at $0.01 (1 cent) per option on or before the 28 November 2020

Name:	Dr David DeTata
Title:	Non-Executive Director
Experience and expertise:	Dr DeTata is an experienced scientific professional and public company director with over 14 years' experience in scientific research and investigations. Dr DeTata holds a Doctor of Philosophy in energetic materials analysis and Master of Business Administration from the University of Western Australia.
Other current directorships:	None
Former directorships (last 3 years):	Kalia Limited (ASX: KLH) - Resigned 26 October 2017
Interests in shares:	15,000,000 fully paid ordinary shares
Interests in options:	20,000,000 unlisted options exercisable at $0.01 (1 cent) per option on or before the 28 November 2020

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for ASX listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary
Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial profession and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, Ms Leydin has been the principal of LeydinFreyer. The practice provides outsourced company secretarial and accounting services to public and private companies specialising in ASX listed entities.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board* Attended	Full Board Held
Mr S Rechner	3	3
Mr H Kaplan	3	3
Dr D DeTata	3	3

* There are no sub-committees.

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the Director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders'
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its Directors and Executives. The performance of the consolidated entity and company depends on the quality of its Directors and Executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate.

Non-executive Directors remuneration
Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board.

For additional duties in assisting management beyond the normal time commitments of Non-Executive Directors, Non-Executive Directors are paid a per diem rate, with the amounts approved by other Directors.

ASX Listing rules requires that the aggregate Non-Executive Directors remuneration shall be determining periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2009, where the shareholders approved an aggregate remuneration of $300,000. No amendments have been made to the available Non-Executive Director remuneration pool since that date.

Executive remuneration
The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has two components:
- base pay and non-monetary benefits
- share-based payments

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

The long-term incentives ('LTI') includes share-based payments.

Consolidated entity performance and link to remuneration
The remuneration of the Directors and executives are not directly linked to the performance, share price or earnings of the consolidated entity.

Non-executive Directors and executives were granted options over shares during 2018 financial year (2019: Nil). The recipients of options are responsible for growing the entity and increasing shareholders' value. The options provide an incentive to the recipients to remain with the consolidated entity and to continue to enhance the shareholders' value.

Voting and comments made at the company's 26 November 2018 Annual General Meeting ('AGM')
The company received 94.05% of 'for' votes in relation to its remuneration report for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following Directors of Strategic Energy Resources Limited:
- Mr S Rechner (Executive Chairman)
- Mr H Kaplan (Non-Executive Director)
- Dr D DeTata (Non-Executive Director)

2019	Short-term benefits Cash salary and fees $	Post-employment benefits Super-annuation $	Share-based payments Equity (options)-settled $	Total $
Non-Executive Directors:				
Dr D DeTata**	72,210	6,860	-	79,070
Mr H Kaplan	39,333	3,737	-	43,070
Executive Directors:				
Mr S Rechner*	284,833	4,639	-	289,472
	396,376	15,236	-	411,612

* Included in cash salary and fees are $53,472 of directors fees (including superannuation) and $236,000 for geological services provided by Diplomatic Exploration Pty Ltd (an entity associated with Mr Stuart Rechner). Geological services provided include personnel, vehicles, field equipment and specialised software.
** Included in cash salary and fees are $36,000 of consulting fees (including superannuation).

2018	Short-term benefits Cash salary and fees $	Post-employment benefits Super-annuation $	Share-based payments Equity (options)-settled $	Total $
Non-Executive Directors:				
Mr P Armitage *	19,539	-	-	19,539
Dr D DeTata **	23,333	2,217	93,007	118,557
Mr H Kaplan **	23,467	2,229	93,007	118,703
Executive Directors:				
Mr S Rechner ***	229,141	3,528	104,634	337,303
Mr A Rechner *	40,397	3,297	-	43,694
	335,877	11,271	290,648	637,796

* Mr P Armitage and Mr A Rechner resigned on 10 October 2017 and 11 October 2017 respectively
** Mr H Kaplan and Mr D DeTata were appointed on 10 October 2017 and 11 October 2017 respectively
*** Included in Cash salary and fees are $37,141 of directors fees, $192,000 for geological services provided by Diplomatic Exploration Pty Ltd (an entity associated with Mr Stuart Rechner)

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2019	2018	2019	2018	2019	2018
Non-Executive Directors:						
David DeTata	100%	22%	-	-	-	78%
Harvey Kaplan	100%	22%	-	-	-	78%
Peter Armitage	-	100%	-	-	-	-
Executive Directors:						
Stuart Rechner	100%	69%	-	-	-	31%
Anthony Rechner	-	100%	-	-	-	-

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Stuart Rechner
Title:	Geological Consultant
Agreement commenced:	1 March 2016
Details:	Mr Rechner is contracted to provide geological and technical services to Strategic Energy Resources Limited, and is remunerated on a daily rate. The Company may terminate the agreement by giving one (1) months' notice in writing. Mr Rechner can terminate the agreement by giving one (1) months' notice.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2019 (2018: Nil).

Options

Shareholder approval date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
27 November 2017	27 November 2017	28 November 2020	$0.0100	$0.005

There were no share based payments were made to employees and Directors during the year. The options issued to Directors during 2018 financial year did not have any service or performance conditions attached and vested immediately. Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Number of options granted during the year 2019	Number of options granted during the year 2018	Number of options vested during the year 2019	Number of options vested during the year 2018
Stuart Rechner	-	22,500,000	-	22,500,000
Harvey Kaplan	-	20,000,000	-	20,000,000
David DeTata	-	20,000,000	-	20,000,000

Additional information
The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

	2019 $	2018 $	2017 $	2016 $	2015 $
Interest income / sundry revenue	24,784	40,177	4,194	62,257	156,982
Profit/(loss) before income tax	(694,845)	(766,260)	(514,637)	(5,547,426)	(2,325,582)
Profit/(loss) after income tax	(694,845)	(766,260)	(514,637)	(5,547,426)	(2,325,582)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2019	2018	2017	2016	2015
Share price at financial year end ($)	0.006	0.004	0.005	0.014	0.028
Basic earnings/(loss) per share (cents per share)	(0.078)	(0.098)	(0.145)	(1.591)	(0.641)

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr S Rechner	10,000,000	-	10,000,000	-	20,000,000
Dr D DeTata	4,000,000	-	11,000,000	-	15,000,000
	14,000,000	-	21,000,000	-	35,000,000

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as compensation	Exercised	Expired	Balance at the end of the year
Options over ordinary shares					
Mr S Rechner	27,500,000	-	-	(5,000,000)	22,500,000
Mr H Kaplan	20,000,000	-	-	-	20,000,000
Dr D DeTata	20,000,000	-	-	-	20,000,000
	67,500,000	-	-	(5,000,000)	62,500,000

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Strategic Energy Resources Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
27 November 2017	28 November 2020	$0.0100	62,500,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company.

Shares issued on the exercise of options
There were no ordinary shares of Strategic Energy Resources Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of Grant Thornton Audit Pty Ltd
There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

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.

Auditor
Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of amounts
Strategic Energy Resources Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Stuart Rechner
Executive Chairman

15 August 2019
Melbourne

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 audit of Strategic Energy Resources for the year ended 30 June 2019, 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 15 August 2019

Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Sundry income	5	-	7,761
Interest income		24,784	32,416
Expenses			
Impairment of available for sale financial assets	9	-	(20,000)
Employee benefits expense		(146,062)	(133,494)
Corporate expenses		(265,440)	(248,381)
Exploration expenditure written off	11	(105,522)	(56,261)
Other expenses		(59,805)	(48,497)
Tenement due diligence and other exploration expenses		(142,800)	(9,156)
Share based payments	28	-	(290,648)
Loss before income tax expense		(694,845)	(766,260)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of Strategic Energy Resources Limited		(694,845)	(766,260)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax		36,545	-
Other comprehensive income for the year, net of tax		36,545	-
Total comprehensive income for the year attributable to the owners of Strategic Energy Resources Limited		(658,300)	(766,260)
		Cents	**Cents**
Basic loss earnings per share	27	(0.078)	(0.098)
Diluted loss earnings per share	27	(0.078)	(0.098)

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

	Note	Consolidated 2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	7	1,054,254	1,665,419
Other receivables	8	16,685	11,449
Prepayments		17,445	10,742
Total current assets		1,088,384	1,687,610
Non-current assets			
Available-for-sale financial assets	9	-	3,900
Financial assets at fair value through other comprehensive income	10	41,667	-
Property, plant and equipment		6,133	-
Exploration and evaluation	11	800,677	576,610
Other non-current assets	12	23,569	23,273
Total non-current assets		872,046	603,783
Total assets		1,960,430	2,291,393
Liabilities			
Current liabilities			
Trade and other payables	13	92,138	64,801
Total current liabilities		92,138	64,801
Total liabilities		92,138	64,801
Net assets		1,868,292	2,226,592
Equity			
Issued capital	14	31,594,519	31,294,519
Reserves	15	(23,565,766)	(23,322,008)
Accumulated losses		(6,160,461)	(5,745,919)
Total equity		1,868,292	2,226,592

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

Consolidated	Contributed equity $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 July 2017	29,139,372	(4,979,659)	(23,612,656)	547,057
Loss after income tax expense for the year	-	(766,260)	-	(766,260)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(766,260)	-	(766,260)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 14)	2,155,147	-	-	2,155,147
Share-based payments (note 28)	-	-	290,648	290,648
Balance at 30 June 2018	31,294,519	(5,745,919)	(23,322,008)	2,226,592

Consolidated	Contributed equity $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 July 2018	31,294,519	(5,745,919)	(23,322,008)	2,226,592
Loss after income tax expense for the year	-	(694,845)	-	(694,845)
Other comprehensive income for the year, net of tax	-	-	36,545	36,545
Total comprehensive income for the year	-	(694,845)	36,545	(658,300)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 14)	300,000	-	-	300,000
De-recognition of asset revaluation reserve surplus upon sale	-	44,878	(44,878)	-
Lapse of options	-	235,425	(235,425)	-
Balance at 30 June 2019	31,594,519	(6,160,461)	(23,565,766)	1,868,292

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

	Note	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(597,091)	(447,124)
Interest received		24,096	31,593
Other revenue		-	5,956
Net cash used in operating activities	26	(572,995)	(409,575)
Cash flows from investing activities			
Payments for financial assets at fair value through other comprehensive income	10	(50,000)	-
Payments for property, plant and equipment		(7,359)	-
Payments for exploration and evaluation	11	(329,589)	(254,507)
Proceeds from sale of investment	10	48,778	-
Net cash used in investing activities		(338,170)	(254,507)
Cash flows from financing activities			
Proceeds from issue of shares	14	300,000	2,178,171
Share issue transaction costs		-	(23,023)
Net cash from financing activities		300,000	2,155,148
Net increase/(decrease) in cash and cash equivalents		(611,165)	1,491,066
Cash and cash equivalents at the beginning of the financial year		1,665,419	174,353
Cash and cash equivalents at the end of the financial year	7	1,054,254	1,665,419

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 year. 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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 August 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

Note 2. Significant accounting policies (continued)

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments
AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the consolidated entity has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

While this represents significant new guidance, the implementation of this new guidance did not have a material impact on the financial assets or the impairment of financial assets for the consolidated entity as at 30 June 2019. Following the adoption of AASB 9 the consolidated entity now recognises its investments as Financial assets at fair value through other comprehensive income when compared to 30 June 2018 where the investments were referred to as Available-for-sale financial assets.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income are non-derivative financial assets, principally equity securities. The consolidated entity has made an irrevocable election to recognise changes in fair value after initial recognition through OCI rather than profit and loss. Upon disposal of these equity investments, any balance within the OCI reserve for these investments is reclassified to retained earnings and is not reclassified to profit and loss.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows. Should any of these indicators imply a significant increase in the instrument’s credit risk, the consolidated entity recognises for this instrument or class of instruments the lifetime expected credit losses

Note 2. Significant accounting policies (continued)

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.

The working capital position as at 30 June 2019 of the consolidated entity results in an excess of current assets over current liabilities of $996,246 (30 June 2018: $1,622,809). The consolidated entity made a loss after tax of $694,845 during the financial year (2018 loss: $766,260) and had net operating cash outflows of $572,995 (2018: $409,575). The cash balances, including term deposits, as at 30 June 2019 was $1,054,254 (2018: $1,665,419). 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.

To meet these 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 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.

Rounding of amounts

Strategic Energy Resources Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Note 2. Significant accounting policies (continued)

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Strategic Energy Resources Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Strategic Energy Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Associates
When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Note 2. Significant accounting policies (continued)

Joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

Interest income
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but no material impact is expected as the consolidated entity currently has no leases.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 4. 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 and assets by geographical area
All assets and liabilities and operations are based in Australia.

Accounting policy for operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Sundry income

	Consolidated	
	2019 $	2018 $
Sundry income	-	7,761

Sundry income
Other income is recognised when it is received or when the right to receive payment is established.

Note 6. Income tax

	Consolidated 2019 $	Consolidated 2018 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(694,845)	(766,260)
Tax at the statutory tax rate of 27.5%	(191,082)	(210,722)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payments	-	79,928
Other permanent differences	173	197
Impairment of exploration assets	(90,637)	(69,990)
Impairment of financial assets	-	5,500
	(281,546)	(195,087)
Income tax losses carried forward not taken up as a benefit	281,546	195,087
Income tax expense	-	-

	Consolidated 2019 $	Consolidated 2018 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	27,304,857	26,799,033
Potential tax benefit @ 27.5%	7,508,836	7,369,734

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed or, failing that, the same business test is passed.

The taxation benefits of tax losses and temporary difference not brought to account will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
(iii) no change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

	Consolidated 2019 $	Consolidated 2018 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses (revenue losses)	7,508,836	7,369,734
Temporary differences	(145,791)	1,017,143
Tax losses (capital losses)	1,341,288	-
Total deferred tax assets not recognised	8,704,333	8,386,877

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 6. Income tax (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2019 $	2018 $
Cash at bank	1,054,254	1,665,419

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Note 8. Current assets - Other receivables

	Consolidated	
	2019 $	2018 $
Other receivables	1,843	865
GST receivable	14,842	10,584
	16,685	11,449

Due to the short term nature of the receivables, their carrying value is assumed to be approximately their fair value. No collateral or security is held. The consolidated entity has financial risk management policies in place to ensure that all receivable are received within the credit timeframe.

Note 8. Current assets - Other receivables (continued)

Accounting policy for trade and other receivables
Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Impairment
Allowances for impairment are recognised using an 'expected credit loss' ('ECL') model. Impairment is measured using a 12-month ECL method Unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

Accounting policies applicable to comparative period (30 June 2018)
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the consolidated entity will not be able to collect the receivable

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 9. Non-current assets - Available-for-sale financial assets

	Consolidated	
	2019 $	2018 $
Investment in Emperor Energy Limited	-	3,900

Note 9. Non-current assets - Available-for-sale financial assets (continued)

Prior to 1 July 2018 the investment in Emperor Energy Limited was designated as available-for- sale under AASB 139. Upon adoption of AASB 9 on 1 July 2018 the consolidated group elected to reclassify the investment as fair value through other comprehensive income.

Accounting policies applicable to comparative period (30 June 2018)

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows. The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Note 10. Non-current assets - Financial assets at fair value through other comprehensive income

	Consolidated 2019 $	Consolidated 2018 $
Investment in Pepinnini Lithium Limited	41,667	-

	Consolidated 2019 $	Consolidated 2018 $
Reconciliation		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Transfer of investments in Emperor Energy Limited	3,900	-
Revaluation increments	1,300	-
Disposal of investment in Emperor Energy Limited	(5,200)	-
Revaluations increments of investments in Quantum Graphite Limited	43,578	-
Disposal of investments in Quantum Graphite Limited	(43,578)	-
Additions - Investment in Pepinnini Lithium Limited	50,000	-
Revaluation decrements of Pepinnini Lithium Limited	(8,333)	-
Closing fair value	41,667	-

Note 10. Non-current assets - Financial assets at fair value through other comprehensive income (continued)

Investment in Emperor Energy Limited
The consolidated entity owned 1,300,000 fully paid ordinary shares in Emperor Energy Limited (ASX: EMP). Prior to 1 July 2018 the investment in Emperor Energy Limited was designated as available-for- sale under AASB 139. Upon adoption of AASB 9 on 1 July 2018 the consolidated group elected to reclassify the investment as fair value through other comprehensive income. The consolidated entity disposed of 1,300,000 fully paid ordinary shares in Emperor Energy Limited (ASX: EMP) during September 2018 for a cash consideration of $5,200.

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. Investments in PNN held by the consolidated entity at fair value are valued in accordance AASB 13, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair values of the financial assets held have been determined by reference to the quoted price on the ASX at 30 June 2019.

Quantum Graphite Limited (ASX: QGL)
On 17 November 2015, Quantum Graphite Limited (ASX: QGL) announced that the consolidated entity's securities will be placed into a voluntary suspension subject to completion of a capital raising. Consequently, the investments in QGL were fully impaired in the previous financial years. However, on 31 December 2018, the consolidated entity revalued its investments in QGL at $43,578. On 18 March 2019, these investments were disposed for a cash consideration of $43,578.

Gasfields Limited (ASX:GFS)
The consolidated entity currently holds 20,000,000 fully paid ordinary shares in Gasfields Limited (ASX:GFS) (formerly Raven Energy Limited (ASX:REL)). On 13 April 2018 GFS extended its voluntary suspension pending the divestment of its Botswana assets and negotiations regarding a strategic acquisition. On 9 May 2019 GFS announced its March 2019 Appendix 5B and noted cash and cash equivalents of $7,000. GFS's ability to continue as a going concern is depends on its ability to realise the value of its certain assets through divestment and complete strategic transaction. Currently GFS's shares are suspended from trading and until the uncertainties are resolved and shares are released from suspension and tradeable, management has continued to carry the value at Nil.

Ionic Industries Limited (Ionic)
The consolidated entity holds 87,155,625 shares in Ionic Industries Limited (an unlisted company) which have been valued at $Nil in accordance AASB 13, using Level 3 of the fair value hierarchy- inputs for the asset or liability that are not based on observable market data (unobservable inputs) as the investment cannot be reliably measured. Ionic completed a capital raising during the year, however it is not considered significant enough to create a liquidity event nor referenced to any independent valuation of the intellectual property held by Ionic. As such, the Directors have not placed a value on this investment until such time as the shares in Ionic can be valued through reference to a liquidity transaction of Ionic or a listing on the ASX or equivalent.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Note 11. Non-current assets - exploration and evaluation

	Consolidated	
	2019	**2018**
	$	**$**
Exploration and evaluation - at cost	800,677	576,610

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

Consolidated	Exploration $
Balance at 1 July 2017	378,364
Expenditure during the year	254,507
Exploration expenditure written off	(56,261)
Balance at 30 June 2018	576,610
Expenditure during the year	329,589
Exploration expenditure written off	(105,522)
Balance at 30 June 2019	800,677

A review of the consolidated entity's exploration licenses was undertaken during the financial year and based on the review management decided to relinquish three licenses and write off of the exploration and evaluation assets of $105,522 as noted above. The licenses that were relinquished during the year were as follows E70/4807, E70/4874 and E70/4805.

Accounting policy for exploration and evaluation assets
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned or other indicators of impairment exist, the expenditure incurred thereon is written off in the year in which the decision is made or the impairment event occurred.

Note 12. Non-current assets - other non-current assets

	Consolidated	
	2019	**2018**
	$	**$**
Other deposits	23,569	23,273

Other deposits represent a term deposit of $20,000 lodged as security over a credit card facility and accrued interest over the period.

Note 12. Non-current assets - other non-current assets (continued)

Accounting policy for financial assets
Allowances for impairment are recognised using an 'expected credit loss' ('ECL') model. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

Accounting policies applicable to comparative period (30 June 2018)
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Note 13. Current liabilities - trade and other payables

	Consolidated	
	2019 $	2018 $
Trade payables	66,378	39,601
Other payables	25,760	25,200
	92,138	64,801

Refer to note 17 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 14. Equity - issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 $	2018 $
Ordinary shares - fully paid	900,000,000	840,000,000	31,594,519	31,294,519

Note 14. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2017	404,365,876		29,139,372
Issue of fully paid ordinary shares	3 August 2017	200,000,000	$0.0050	1,000,000
Issue of fully paid ordinary shares	31 August 2017	235,634,124	$0.0050	1,178,171
Capital raising costs		-	-	(23,024)
Balance	30 June 2018	840,000,000		31,294,519
Issue of fully paid ordinary shares	14 August 2018	44,000,000	$0.0050	220,000
Issue of fully paid ordinary shares	7 December 2018	16,000,000	$0.0050	80,000
Balance	30 June 2019	900,000,000		31,594,519

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.

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the company's current share price at the time of the investment.

The entity does not have a defined share buy-back plan.

There is no current intention to incur debt funding on behalf of the company as on-going exploration expenditure will be funded via equity or joint ventures with other companies.

The consolidated entity is not subject to any externally imposed capital requirements.

Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a quarterly basis.

The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 15. Equity - reserves

	Consolidated 2019 $	Consolidated 2018 $
Financial assets at fair value through other comprehensive income reserve	(8,333)	-
Options reserve	290,648	526,073
Demerger Reserve	(23,848,081)	(23,848,081)
	(23,565,766)	(23,322,008)

Financial assets at fair value through other comprehensive income reserve
The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Options reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Demerger reserve
This reserve is used to recognise the in-specie distribution to shareholders as a result of the demerger of Quantum Graphite Limited (ASX: QGL) on 27 April 2012.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Option reserve $	Demerger reserve $	Financial assets at fair value through other comprehensive income reserve $	Total $
Balance at 1 July 2017	235,425	(23,848,081)	-	(23,612,656)
Share-based payments	290,648	-	-	290,648
Balance at 30 June 2018	526,073	(23,848,081)	-	(23,322,008)
Revaluation increments	-	-	44,878	44,878
De-recognition of asset revaluation reserve surplus upon sale	-	-	(44,878)	(44,878)
Lapse of options	(235,425)	-	-	(235,425)
Revaluation decrements on financial assets at fair value through other comprehensive income	-	-	(8,333)	(8,333)
Balance at 30 June 2019	290,648	(23,848,081)	(8,333)	(23,565,766)

Note 16. Equity - dividends

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

Note 17. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity is not exposed to foreign currency risk.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk
The consolidated entity is exposed to price risk in relation to the shares that it holds in other listed entities.

	Average price increase		**Average price decrease**	
Consolidated - 2019	**% change**	**Effect on equity $**	**% change**	**Effect on equity $**
Shares in Listed Entities	50%	20,833	5%	(20,833)

	Average price increase		**Average price decrease**	
Consolidated - 2018	**% change**	**Effect on equity $**	**% change**	**Effect on equity $**
Shares in Listed Entities	50%	1,950	50%	(1,950)

Interest rate risk
The consolidated entity is not exposed to significant interest rate risk as deposits are held with established banks with interest rates that are in line with the RBA and other bank rates.

As at the reporting date, the consolidated entity had the following variable interest rates:

	2019		**2018**	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash at bank and in hand	1.34%	1,054,254	1.30%	1,665,419
Net exposure to cash flow interest rate risk		1,054,254		1,665,419

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash at bank for the 2018 and 2019 financial years. The impact would not be material on bank balances held at 30 June 2019. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

Note 17. Financial instruments (continued)

Consolidated - 2019	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax $	Effect on equity $	Basis points change	Effect on profit before tax $	Effect on equity $
Cash at bank	50	5,217	5,217	50	(5,217)	(5,217)

Consolidated - 2018	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax $	Effect on equity $	Basis points change $	Effect on profit before tax $	Effect on equity $
Cash at bank	50	8,327	8,327	50	(8,327)	(8,327)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %	1 year or less $	Remaining contractual maturities $
Non-derivatives			
Non-interest bearing			
Trade and other payables	-	92,138	92,138
Total non-derivatives		92,138	92,138

Note 17. Financial instruments (continued)

Consolidated - 2018	Weighted average interest rate %	1 year or less $	Remaining contractual maturities $
Non-derivatives			
Non-interest bearing			
Trade and other payables	-	64,801	64,801
Total non-derivatives		64,801	64,801

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 18. Key management personnel disclosures

Directors
The following persons were directors of Strategic Energy Resources Limited during the financial year:

Mr S Rechner (Executive Chairman)
Mr H Kaplan (Non-Executive Director)
Dr D DeTata (Non-Executive Director)

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2019 $	Consolidated 2018 $
Short-term employee benefits	396,376	335,877
Post-employment benefits	15,236	11,271
Share-based payments	-	290,648
	411,612	637,796

Note 19. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	Consolidated 2019 $	Consolidated 2018 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	33,500	32,500

Note 20. Commitments

	Consolidated	
	2019 $	2018 $
Exploration Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	400,878	581,732
One to five years	84,311	260,000
	485,189	841,732

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 year which can result in work programs for certain years being met.

Note 21. Related party transactions

Parent entity
Strategic Energy Resources Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 23.

Joint operations
Interests in joint operations are set out in note 24.

Key management personnel
Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2019 $	2018 $
Payment for geological services*	236,000	192,000

* During the year the company made payments to Diplomatic Exploration Pty Ltd, a related entity of Mr Stuart Rechner. The entity provided exploration services to the company throughout the year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions with related parties are entered into on normal commercial terms and conditions.

Note 22. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2019 $	Parent 2018 $
Loss after income tax	(694,842)	(766,257)
Total comprehensive income	(694,842)	(766,257)

Statement of financial position

	Parent 2019 $	Parent 2018 $
Total current assets	1,088,373	1,687,596
Total assets	1,960,434	2,291,394
Total current liabilities	92,138	64,801
Total liabilities	92,138	64,801
Equity		
Issued capital	31,594,520	31,294,520
Financial assets at fair value through other comprehensive income reserve	(8,333)	-
Options reserve	290,648	526,073
Accumulated losses	(30,008,539)	(29,594,000)
Total equity	1,868,296	2,226,593

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 2018 and 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 2018 and 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 2018 and 2019.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as revenue by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Strategic Nickel Pty Ltd	Australia	100%	100%
Strategic Sands Pty Ltd	Australia	100%	100%

Note 24. Farm-outs in the exploration and evaluation phase

The consolidated entity does not record any expenditure made by the farmee on its accounts. It does not recognise any gains or losses on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee credited against the cost previously capitalised in relation to the whole interest with any excess accounted by the farmor as a gain on disposal.

Note 25. Events after the reporting period

Subsequent to the end of the year the consolidated entity issued 50,000,000 fully paid ordinary shares at an issue price of $0.006 (0.6 cents) per share raising $300,000 (before costs). There are no matters or circumstances have arisen since 30 June 2019 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 26. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2019 $	Consolidated 2018 $
Loss after income tax expense for the year	(694,845)	(766,260)
Adjustments for:		
Depreciation and amortisation	1,226	-
Impairment of investments	-	20,000
Share-based payments	-	290,648
Exploration costs written off	105,522	56,261
Change in operating assets and liabilities:		
Decrease/(increase) in other receivables	(5,532)	2,739
Increase in prepayments	(6,703)	(2,645)
Increase/(decrease) in trade and other payables	27,337	(10,318)
Net cash used in operating activities	(572,995)	(409,575)

Note 27. Loss per share

	Consolidated 2019 $	Consolidated 2018 $
Loss after income tax attributable to the owners of Strategic Energy Resources Limited	(694,845)	(766,260)

Note 27. Loss per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	887,561,644	781,344,341
Weighted average number of ordinary shares used in calculating diluted earnings per share	887,561,644	781,344,341

	Cents	Cents
Basic loss earnings per share	(0.078)	(0.098)
Diluted loss earnings per share	(0.078)	(0.098)

Diluted loss per share

The options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 “Earnings per Share”. The options are non-dilutive as the consolidated entity has generated a loss for the year.

As at 30 June 2019, the consolidated entity had 62,500,000 (2018: 84,000,000) unlisted options on issue, which are exercisable at $0.01 (1 cent) per option expiring on or before 28 November 2020. These options have not been included in the above calculation as explained above.

Accounting policy for earnings per share

Basic loss per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Strategic Energy Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted loss per share
Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 28. Share-based payments

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

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
04/05/2016	30/04/2019	$0.0232	21,500,000	-	-	(21,500,000)	-
27/11/2017	28/11/2020	$0.0100	62,500,000	-	-	-	62,500,000
			84,000,000	-	-	(21,500,000)	62,500,000
Weighted average exercise price			$0.0130	$0.0000	$0.0000	$0.0232	$0.0100

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
04/05/2016	30/04/2019	$0.0232	21,500,000	-	-	-	21,500,000
27/11/2017	28/11/2020	$0.0100	-	62,500,000	-	-	62,500,000
			21,500,000	62,500,000	-	-	84,000,000

Note 28. Share-based payments (continued)

Weighted average exercise price	$0.2320	$0.0100	$0.0000	$0.0000	$0.0130

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2019 Number	2018 Number
04/05/2016	30/04/2019	-	21,500,000
27/11/2017	28/11/2020	62,500,000	62,500,000
		62,500,000	84,000,000

For the options granted during 2018 financial 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
27/11/2017	28/11/2020	$0.0070	$0.0100	122.00%	1.83%	$0.005

There were no share based payments granted to employees and Directors during the year. A total of 62,500,000 options were granted to Directors during 2018 financial year, all of which vested immediately. The total share based payment expenses of $290,648 was recognised during 2018 financial year.

Accounting policy for share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Note 28. Share-based payments (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Stuart Rechner
Executive Chairman

15 August 2019
Melbourne

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 9320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of Strategic Energy Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Strategic Energy Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Grant Thornton

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $694,845 during the year ended 30 June 2019 and had net operating cash outflows of $572,995. 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 doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets - Notes 11	
At 30 June 2019 the carrying value of exploration and evaluation assets was $800,677. During the year management recognised an impairment loss on these assets amounting to $105,522. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value. The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement. This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.	Our procedures included, amongst others: • Assessing the accuracy of impairment recorded by determining if: o Tenements had been relinquished; o Tenements had not had any expenditure incurred since the prior period; o Tenements were planned to be relinquished in the future; and o Tenements did not have any budgeted expenditure in the forecast period. • Performing a comprehensive review of management's assessment of impairment indicators in line with AASB 6 and whether tenements are considered to be feasible and or active; • Evaluating the accuracy of capitalised costs by substantively testing a sample of additions during the year and assessing whether they have been appropriately capitalised in line with AASB 6; • Assessing the appropriateness and uniformity of the accounting policies for Exploration & Evaluation Expenditure with the prior period and the requirements under AASB 6; • Reviewing current exploration tenements to evaluate whether only those that the Group has ownership over are disclosed and any relinquished tenements have been removed; and • Assessing the appropriateness of the related financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's/Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company/Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 14 to 18 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Strategic Energy Resources Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Grant Thornton

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 15 August 2019

The shareholder information set out below was applicable as at 6 August 2019.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of unlisted options
1 to 1,000	127	-
1,001 to 5,000	73	-
5,001 to 10,000	144	-
10,001 to 100,000	1,208	-
100,001 and over	655	3
	2,207	3
Holding less than a marketable parcel	1,378	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
PILLAGE INVESTMENTS PTY LTD	85,000,000	9.44
OMEN PTY LTD	64,011,734	7.11
NEWPUZZLE HOLDINGS PTY LTD	50,000,000	5.56
MR NICOLAS TERRANOVA	37,000,000	4.11
KSLCORP PTY LTD	30,000,000	3.33
E E R C AUSTRALASIA PTY LTD	30,000,000	3.33
HONGMEN CAPITAL HOLDINGS PTY LTD	28,348,647	3.15
OSMIUM HOLDINGS PTY LTD	20,000,000	2.22
GEORGE WA PTY LTD	15,000,000	1.67
MR JAMES PETER ALLCHURCH	14,000,000	1.56
MR MICHAEL FRANCIS O'BRIEN	11,440,088	1.27
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,239,868	1.25
INKJAR PTY LTD	10,000,000	1.11
MR MARK ANDREW TKOCZ	10,000,000	1.11
NYMAN INVESTMENTS PTY LTD	10,000,000	1.11
MR KEVIN JOHN CAIRNS & MRS CATHERINE VALERIE CAIRNS	10,000,000	1.11
TOLTEC HOLDINGS PTY LTD	8,443,898	0.94
1202 MANAGEMENT PTY LTD	7,500,000	0.83
MRS XIAO YUN WANG	7,200,000	0.80
MR CHRISTOPHER HUTCHINSON	7,020,000	0.78
	466,204,235	51.79

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	62,500,000	3

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares Number held	Ordinary shares % of total shares issued
PILLAGE INVESTMENTS PTY LTD	85,000,000	9.44
OMEN PTY LTD	64,011,734	7.11
NEWPUZZLE HOLDINGS PTY LTD	50,000,000	5.56

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
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.

Tenements

Description	Tenement number	Interest owned %
Myall Creek - South Australia	EL6140 (Farm-In Agreement with FMG)	100
Roopena - South Australia	EL5898 (Farm-In Agreement with FMG)	100
Saxby - Queensland	EPM15398	100
Ambergate - Western Australia	E70/4793	100
Ambergate West - Western Australia	E70/5012	100
Billa Kalina - South Australia	EL6335	100