Strategic Energy Resources Limited

ABN 14 051 212 429

Annual Report - 30 June 2020

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 18 November 2020.
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/

REVIEW OF OPERATIONS FY2019-20

This financial year saw SER move from project generation to exploration success. In late 2019 we hit high-grade gold at Saxby in northwest Queensland. Not only did drillhole SXDD020 intersect 6m @ 12g/t Au, it proved there is a significant high-grade gold system at Saxby that demands further exploration. SER has secured the ground surrounding Saxby.

In the East Tennant Iron Oxide Copper-Gold (IOCG) province, SER won key ground in a fiercely competed tender process. We have moved quickly to commission a detailed ground gravity survey over our three tenements in this emerging exploration hotspot. In the coming months the National Drilling Initiative stratigraphic drill campaign will drill multiple holes close to SER's ground to map the regional geology, structural architecture and mineral systems in this underexplored province.

At our South Australia IOCG projects in the Olympic Copper-Gold Province, SER completed a gravity survey at Billa Kalina and joint venture partner Fortescue Metals Group (FMG) completed an airborne magnetic / radiometric survey at Myall Creek.

In Heavy Mineral Sands, SER advanced planning to upgrade the resource at our Ambergate Heavy Mineral Sands project based on results from an internal techno-economic analysis.

SER is well funded to advance our exploration programs with a recent capital raising of $2m and the sale of the Uley Graphite royalty for $500,000.

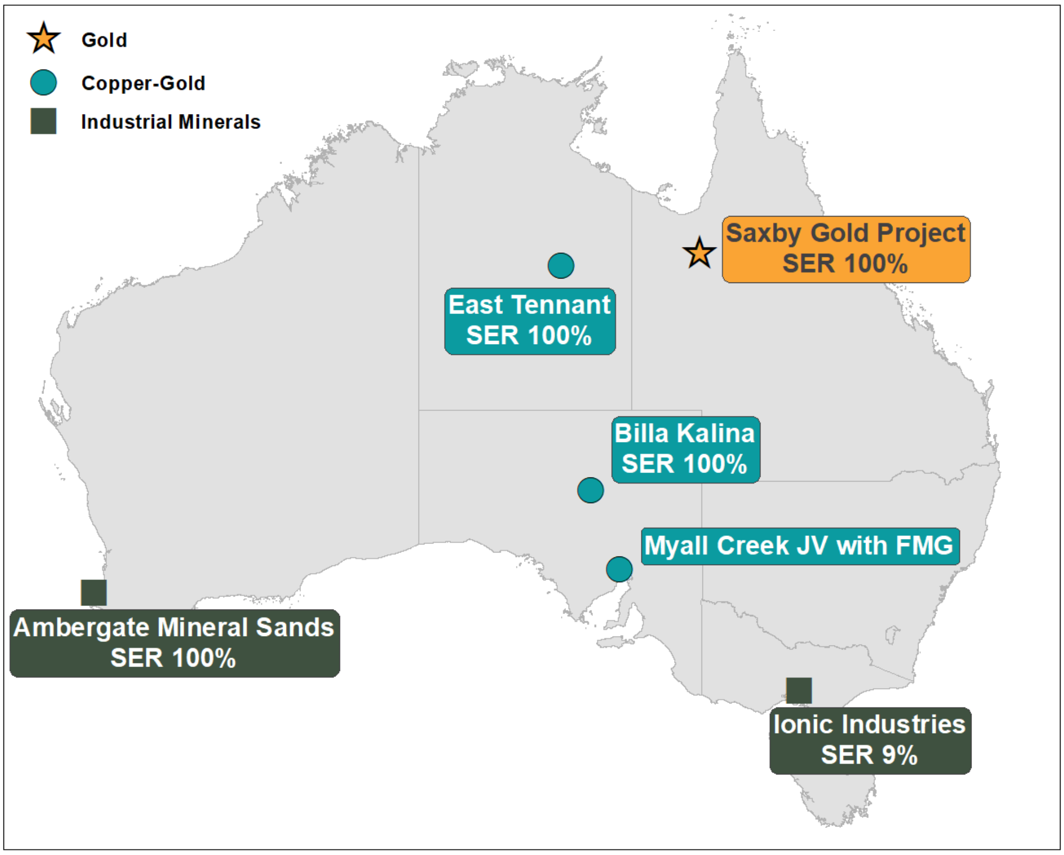

Figure 1: SER Project Locations

SER's strategy of counter-cyclical project generation followed by cutting-edge technical exploration is poised for success. We generated our projects at low cost when these commodities were unfashionable; now market conditions for our targets have improved dramatically. SER has already generated a significant pipeline of additional exciting projects ready for exploration, joint venture or sale just as the market booms. We look forward to sharing details with shareholders in the near future.

In line with our strategy, SER is one of the very few junior explorer members of the Mineral Exploration Cooperative Research Centre (MinEx CRC), the world's largest mineral exploration collaboration of major mining companies, research organisations and Geological Surveys of Australia. MinEx CRC is developing new exploration tools and techniques and opening new exploration frontiers to discover the next generation of mineral deposits for Australia.

The SER team are major shareholders of the Company alongside you. We thank all shareholders for their continued support and look forward to an exciting year ahead.

Sincerely

Stuart Rechner

Executive Chairman

STATEMENT OF MINERAL RESOURCES

SER publicly reports Exploration Results and Mineral Resource estimates in accordance with the ASX Listing Rules and the requirements and guidelines of the 2012 edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves – the JORC Code.

SER's governance for public reporting of Exploration Results and Mineral Resource estimates includes important assurance measures. All reports are signed-off by appropriate JORC Competent Persons with JORC Code Table 1 Checklists as required. Exploration Results and Mineral Resource estimates are also peer reviewed (either by SER technical staff or suitably qualified external consultants) before Board approval and ASX release.

Table 1: SER Statement of Mineral Resources at 30 June 2020 (no changes since 30 June 2019)

Ambergate Heavy Mineral Sands Mineral Resource estimate				
Low grade HM cut-off (%)	***Inferred***			
	(Mt)	***HM (%)***	***Slimes (%)***	***Total HM (kt)***
3.0	*11.2*	*5.1*	*13.6*	*569*

The Ambergate Mineral Resource estimate is calculated with a low grade Heavy Mineral cut-off of 3% and Slimes cut off of <22%. The heavy mineral assemblage at Ambergate includes: 73% ilmenite (average TiO_2 content of 58.7%), 12% leucoxene, 12% zircon, 0.6% monazite and 2% other minerals. The Ambergate mineral resource was produced by an independent Mineral Resource Estimation Study conducted by SRK Consulting who have no beneficial interest in the outcome of the technical assessment.

COMPETENT PERSON STATEMENTS

The information in this report that relates to Exploration Results and overall Annual Report Compilation is based on information compiled by Mr Stuart Rechner BSc (Geology) MAIG MAusIMM, a Member of Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy. Mr Rechner is a Director and shareholder of Strategic Energy Resources Ltd. Mr Rechner has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Rechner consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this statement that relates to the Mineral Resource Estimates is based on work conducted by David Slater of SRK Consulting (Australasia) Pty Ltd. David Slater takes responsibility for the Mineral Resource Estimate. David Slater is a Member of The Australian Institute of Mining and Metallurgy (AusIMM) and a member of the Australian Institute of Geologists (AIG) and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activities undertaken, to qualify as Competent Person in terms of the Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 edition). David Slater consents to the inclusion of such information in this report in the form and context in which it appears.

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 2020.

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 $425,684 (30 June 2019: $694,845).

Operating expenses for the year $553,431 (2019: $719,629). Corporate expenses amounted to $220,243 (2019: $265,440) resulting from continuing operations. Employee benefit expenses amounted to $144,485 (2019: $146,062). A total of 20,000,000 unlisted options were issued to Directors during the year (2019: Nil) and the Consolidated Entity recognised share based payment expenses of $62,263 (2019: Nil).

The net assets of the Consolidated Entity increased by $678,087 to $2,546,376 (2019: $1,868,292) as at 30 June 2020. The movements during the period was largely due to the capital raised during the year amounting to $1,066,508 (net of transaction costs) and losses from operations amounting to $425,684. Working capital, being current assets less current liabilities, decreased by $95,027 to $901,219 (2019: $996,246). The Consolidated Entity had a net cash outflows from operating activities for the period of $412,753 (2019: $572,995).

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 5 July 2019, the Company issued 50,000,000 fully paid ordinary shares (Shares) to investors at an issue price of $0.006 (0.6 cents) per Share and raised $300,000.

On 12 December 2019, the Company issued 20,000,000 options to Director for no consideration with fair value of $0.0031 with expiry date of 12 December 2022.

On 4 June 2020, the Company issued 237,500,000 fully paid ordinary shares (Shares) to investors at an issue price of $0.0034 (0.34 cents) per Share and raised $807,500.

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

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

The Consolidated Entity satisfied the completion conditions on 20 July 2020 and received the $80,000 cash consideration and $200,000 in Vox Royalty shares.

On 12 August 2020 the Company issued 412,500,000 ordinary shares at an issue price of $0.0034 per share, raising $1,402,500, before costs. Further, the Company issued 2,000,000 options to employees at $0.01 with expiry date of 12 December 2022.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

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 MAusIMM GAICD is an experienced company director and geologist with degrees in both geology and law. He is a member of the Australian Institute of Geoscientists, the Australasian Institute of Mining and Metallurgy 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:	30,000,000 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 10,000,000 unlisted options exercisable at $0.01 (1 cent) per option on or before the 12 December 2022.

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:	10,000,000 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 2,000,000 unlisted options exercisable at $0.01 (1 cent) per option on or before the 12 December 2022.

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:	25,000,000 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 8,000,000 unlisted options exercisable at $0.01 (1 cent) per option on or before the 12 December 2022.

'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 Melanie Leydin

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 Leydin Freyer. 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 2020, and the number of meetings attended by each Director were:

	Full Board* Attended	Full Board Held
Mr S Rechner	4	4
Mr H Kaplan	4	4
Mr D DeTata	4	4

* 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 20,000,000 options over shares during the 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 25 November 2019 Annual General Meeting ('AGM')
The Company received 98.71% of 'for' votes in relation to its remuneration report for the year ended 30 June 2019. 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)

	Short-term benefits	Post-employment benefits	Share-based payments	
2020	Cash salary and fees $	Super-annuation $	Equity (options)-settled $	Total $
Non-Executive Directors:				
Mr D DeTata**	75,615	7,184	24,905	107,704
Mr H Kaplan	40,000	3,800	6,226	50,026
Executive Directors:				
Mr S Rechner*	290,000	4,750	31,132	325,882
	405,615	15,734	62,263	483,612

* Included in cash salary and fees are $54,750 of directors fees (including superannuation) and $240,000 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 $39,000 of consulting fees (including superannuation).

2019	Short-term benefits Cash salary and fees $	Post-employment benefits Super-annuation $	Share-based payments Equity (options)-settled $	Total $
Non-Executive Directors:				
Mr 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).

Name	Fixed remuneration 2020	Fixed remuneration 2019	At risk - LTI 2020	At risk - LTI 2019
Non-Executive Directors:				
David DeTata	77%	100%	23%	-
Harvey Kaplan	88%	100%	12%	-
Executive Directors:				
Stuart Rechner	90%	100%	10%	-

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 2020 (2019: 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	$0.01	$0.005
25 November 2019	17 December 2019	12 December 2022	$0.01	$0.003

A total of 20,000,000 unlisted options were issued to Directors and Key Management Personal during the year (2019: Nil). Options issued during the financial year have been valued using the black scholes method and the Consolidated Entity recognised share based payment expenses of $62,263 (2019: Nil). The options issued to Directors during the 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 2020 are set out below:

Name	Number of options granted during the year 2020	Number of options granted during the year 2019	Number of options vested during the year 2020	Number of options vested during the year 2019
Stuart Rechner	10,000,000	-	10,000,000	-
Harvey Kaplan	2,000,000	-	2,000,000	-
David DeTata	8,000,000	-	8,000,000	-

Additional information

The earnings of the Consolidated Entity for the five years to 30 June 2020 are summarised below:

	2020 $	2019 $	2018 $	2017 $	2016 $
Interest income / sundry revenue	68,556	24,784	40,177	4,194	62,257
Profit/(loss) before income tax	(484,867)	(694,845)	(766,260)	(514,637)	(5,547,426)
Profit/(loss) after income tax	(484,867)	(694,845)	(766,260)	(514,637)	(5,547,426)

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

	2020	2019	2018	2017	2016
Share price at financial year end ($)	0.005	0.006	0.004	0.005	0.014
Basic earnings/(loss) per share (cents per share)	(0.050)	(0.078)	(0.098)	(0.145)	(1.591)

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	20,000,000	-	2,000,000	-	22,000,000
Dr D DeTata	15,000,000	-	-	-	15,000,000
	35,000,000	-	2,000,000	-	37,000,000

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	22,500,000	10,000,000	-	-	32,500,000
Mr H Kaplan	20,000,000	2,000,000	-	-	22,000,000
Dr D DeTata	20,000,000	8,000,000	-	-	28,000,000
	62,500,000	20,000,000	-	-	82,500,000

Loans from key management personnel and their related parties
During the year Directors advanced loans (all Directors participating) to the Company for working capital purposes which were due to be repaid on or before 31 December 2020. The Loans were unsecured and did not bear any interest. The outstanding directors loans as at 30 June 2020 were $8,500 and were repaid in full after the year end.

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	$0.01	62,500,000
17 December 2019	12 December 2022	$0.01	22,000,000
			84,500,000

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 2020 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

18 August 2020
Melbourne

Grant Thornton

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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 Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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, 18 August 2020

	Note	Consolidated 2020 $	2019 $
Other income	5	120,263	-
Interest income		7,484	24,784
Expenses			
Employee benefits expense		(144,485)	(146,062)
Corporate expenses		(220,243)	(265,440)
Exploration expenditure written off	10	-	(105,522)
Tenement due diligence and other exploration expenses		(83,575)	(142,800)
Share based payments	27	(62,263)	-
Other expenses		(42,865)	(59,805)
Loss before income tax expense		(425,684)	(694,845)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of Strategic Energy Resources Limited		(425,684)	(694,845)
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		(25,000)	36,545
Other comprehensive income for the year, net of tax		(25,000)	36,545
Total comprehensive income for the year attributable to the owners of Strategic Energy Resources Limited		(450,684)	(658,300)
		Cents	**Cents**
Basic loss earnings per share	26	(0.044)	(0.078)
Diluted loss earnings per share	26	(0.044)	(0.078)

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

	Note	Consolidated 2020 $	Consolidated 2019 $
Assets			
Current assets			
Cash and cash equivalents	7	945,246	1,054,254
Other receivables	8	70,879	16,685
Prepayments		29,476	17,445
Total current assets		1,045,601	1,088,384
Non-current assets			
Financial assets at fair value through other comprehensive income	9	-	41,667
Property, plant and equipment		3,680	6,133
Exploration and evaluation	10	1,619,745	800,677
Other non-current assets	11	21,735	23,569
Total non-current assets		1,645,160	872,046
Total assets		2,690,761	1,960,430
Liabilities			
Current liabilities			
Trade and other payables	12	135,882	92,138
Short term borrowings		8,500	-
Total current liabilities		144,382	92,138
Total liabilities		144,382	92,138
Net assets		2,546,379	1,868,292
Equity			
Issued capital	13	32,661,027	31,594,519
Reserves	14	352,911	(23,565,766)
Accumulated losses		(30,467,559)	(6,160,461)
Total equity		2,546,379	1,868,292

Strategic Energy Resources Limited
Statement of changes in equity
For the year ended 30 June 2020

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 13)	300,000	-	-	300,000
De-recognition of fair value through other comprehensive income reserve 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

Consolidated	Contributed equity $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 July 2019	31,594,519	(6,160,461)	(23,565,766)	1,868,292
Loss after income tax expense for the year	-	(425,684)	-	(425,684)
Other comprehensive income for the year, net of tax	-	-	(25,000)	(25,000)
Total comprehensive income for the year	-	(425,684)	(25,000)	(450,684)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 13)	1,066,508	-	-	1,066,508
Share-based payments (note 27)	-	-	62,263	62,263
De-recognition of fair value through other comprehensive income reserve upon sale	-	(33,333)	33,333	-
De-recognition of demerger reserve upon sale	-	(23,848,081)	23,848,081	-
Balance at 30 June 2020	32,661,027	(30,467,559)	352,911	2,546,379

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

	Note	Consolidated 2020 $	2019 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(481,471)	(597,091)
Interest received		7,646	24,096
COVID-19-related government grants		51,483	-
Receipt of R&D tax refund		9,589	-
Net cash used in operating activities	25	(412,753)	(572,995)
Cash flows from investing activities			
Payments for financial assets at fair value through other comprehensive income	9	-	(50,000)
Payments for property, plant and equipment		-	(7,359)
Payments for exploration and evaluation	10	(796,096)	(329,589)
Payments for security deposits		(1,000)	-
Payments for term deposit		(20,000)	-
Proceeds from term deposit		23,569	-
Proceeds from sale of investment	9	16,667	48,778
Net cash used in investing activities		(776,860)	(338,170)
Cash flows from financing activities			
Proceeds from issue of shares	13	1,107,500	300,000
Cost of capital raising		(35,395)	-
Proceeds from borrowings		8,500	-
Net cash from financing activities		1,080,605	300,000
Net decrease in cash and cash equivalents		(109,008)	(611,165)
Cash and cash equivalents at the beginning of the financial year		1,054,254	1,665,419
Cash and cash equivalents at the end of the financial year	7	945,246	1,054,254

**Cash flows used in exploration and evaluation are presented under operating activities in ASX Quarterly Appendix 5B, as prescribed in the document. The Company adopted the revised ASX prescribed Appendix 5B during the year, which became effective from 1 January 2020. However, at the time of adoption not all the past information were reinstated, which resulted in a difference between the cash flows used in exploration and evaluation in the financial statements and Appendix 5B. Amounts presented as investing activities in the financial statements and Appendix 5B from March 2020 quarter are consistent with the Consolidated Entity's accounting policies for exploration and evaluation expenses.*

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 18 August 2020. 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.

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 16 Leases

The Consolidated Entity has adopted AASB 16 from 1 July 2019. The standard replaced AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments is separately disclosed in financing activities.

On transition, the Consolidated Entity had a low value lease and applying the optional exemptions permitted by AASB 16, no right-of-use assets and corresponding lease liabilities are recognised.

Note 2. Significant accounting policies (continued)

Interpretation 23 Uncertainty over Income Tax Treatments
Interpretation 23 requires the assessment of whether the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The Consolidated Entity has adopted Interpretation 23 from 1 July 2019, based on an assessment of whether it is 'probable' that a taxation authority will accept an uncertain tax treatment. This assessment takes into account that for certain jurisdictions in which the company operates, a local tax authority may seek to open a company's books as far back as inception of the company. Where it is probable, the company has determined tax balances consistently with the tax treatment used or planned to be used in its income tax filings. Where the company has determined that it is not probable that the taxation authority will accept an uncertain tax treatment, the most likely amount or the expected value has been used in determining taxable balances (depending on which method is expected to better predict the resolution of the uncertainty). There has been no impact from the adoption of Interpretation 23 in this reporting period.

Other accounting pronouncements which have become effective from 1 July 2019 and have therefore been adopted have not had a significant impact on the Consolidated Entity's financial results or position.

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 2020 of the Consolidated Entity results in an excess of current assets over current liabilities of $901,219 (30 June 2019: $996,246). The Consolidated Entity made a loss after tax of $425,684 during the financial year (2019 loss: $694,845) and had net operating cash outflows of $412,753 (30 June 2019: $572,995). The cash balances, including term deposits, as at 30 June 2020 was $945,246 (2019: $1,054,254). 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.

In assessing the appropriateness of the going concern assumption, the directors have considered the following:

-On 4 June 2020, the Company issued 237,500,000 fully paid ordinary shares (Shares) to investors at an issue price of $0.0034 (0.34 cents) per Share and raised $807,500.
- As explained in note 24, the Consolidated Entity satisfied the completion conditions on Uley Graphite Project royalty sale on 20 July 2020 and received the $80,000 cash consideration and $200,000 in Vox Royalty shares with deferred consideration of $200,000 in Vox shares upon completion of certain commercial Uley production.
- On 12 August 2020 the Company issued 412,500,000 ordinary shares at an issue price of $0.0034 (0.34 cents) per share, raising $1,402,500, before costs.

The Consolidated Entity is involved in exploration for minerals in Australia. 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 Company'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 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.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Company has taken precautionary measures by temporarily closing the Company’s office and having arranged the employees to work remotely, as well as curtailing travel. Management believes that this will allow efforts to continue the feasibility studies and permitting activities. At the date of this report, the impact of these measures is not expected to significantly impact the completion of the current work being undertaken. However, as the circumstances continue to evolve, there may be disruptions to the future work timelines if employees, consultants or their respective families are personally impacted by COVID-19 or if travel and other operational restrictions are not lifted.

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.

Note 2. Significant accounting policies (continued)

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.

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 21.

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 2020 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'. A list of subsidiaries is included in note 22. Reporting period and accounting policies of all the subsidiaries are consistent with the Company.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the Consolidated Entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

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.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

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 2020. The Consolidated Entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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.

Income tax

The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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.

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

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. Other income

	Consolidated	
	2020	**2019**
	$	**$**
COVID-19-related government grants	110,674	-
R&D tax refund received	9,589	-
Other income	120,263	-

Other income
COVID-19-related government grants represent the job keeper and cash flow boost payments received from Federal Government in response to ongoing novel coronavirus (COVID-19) pandemic. Government grants are recognised in the financial statements at expected values or actual cash received when there is a reasonable assurance that the Consolidated Entity will comply with the requirements and that the grant will be received. The Consolidated Entity has recognised its share of revenues, expenses and expenses reimbursements of joint operations, which give rise to job keeper payments, within exploration assets in the financial statements.

Note 6. Income tax

	Consolidated 2020 $	Consolidated 2019 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(425,684)	(694,845)
Tax at the statutory tax rate of 27.5%	(117,063)	(191,082)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	17,122	-
Other permanent differences	27	173
Impairment of exploration assets	-	(90,637)
Non assessable income	25,485	-
Non-deductible R&D expenditure	6,062	-
	(68,367)	(281,546)
Income tax losses carried forward not taken up as a benefit	68,367	281,546
Income tax expense	-	-

	Consolidated 2020 $	Consolidated 2019 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	28,200,127	27,304,857
Potential tax benefit @ 26% (2019: 27.5%)	7,332,033	7,508,836

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 2020 $	Consolidated 2019 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses (revenue losses)	7,332,033	7,508,836
Temporary differences	(380,765)	(145,791)
Tax losses (capital losses)	2,431,113	1,341,288
Total deferred tax assets not recognised	9,382,381	8,704,333

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	
	2020	**2019**
	$	**$**
Cash at bank	945,246	1,054,254

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	
	2020	**2019**
	$	**$**
Other receivables	59,564	1,843
GST receivable	11,315	14,842
	70,879	16,685

Other receivables include job keeper and cash flow boost payments receivable from Federal Government in response to ongoing novel coronavirus (COVID-19) pandemic. These amounts are expected to be received between July to October 2020.

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 time frame.

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.

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 - Financial assets at fair value through other comprehensive income

	Consolidated 2020 $	Consolidated 2019 $
Investment in Pepinnini Lithium Limited	-	41,667

	Consolidated 2020 $	Consolidated 2019 $
Reconciliation		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	41,667	-
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	(25,000)	(8,333)
Disposal of investment in Pepinnini Lithium Limited	(16,667)	-
Closing fair value	-	41,667

Note 9. Non-current assets - Financial assets at fair value through other comprehensive income (continued)

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

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 capital raisings 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.

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

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 10. Non-current assets - exploration and evaluation

	Consolidated	
	2020	**2019**
	$	**$**
Exploration and evaluation - at cost	1,619,745	800,677

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 2018	576,610
Expenditure during the year	329,589
Exploration expenditure written off	(105,522)
Balance at 30 June 2019	800,677
Expenditure during the year	819,068
Balance at 30 June 2020	1,619,745

Note 10. Non-current assets - exploration and evaluation (continued)

The exploration and evaluation assets relate to the following areas of interest.

Area of interest	Tenement number	Fulfilled Expenditure commitments	Interest owned 2020 %	Interest owned 2019 %
Myall Creek - South Australia	EL6140 (Farm-In Agreement with FMG)	Yes	100.00%	100.00%
Roopena - South Australia	EL5898 (Farm-In Agreement with FMG)	Yes	100.00%	100.00%
Saxby - Queensland	EPM15398	Yes	100.00%	100.00%
Ambergate - Western Australia	E70/4793	Yes	100.00%	100.00%
Ambergate West - Western Australia	E70/5012	Yes	100.00%	100.00%
Billa Kalina - South Australia	EL6335	Yes	100.00%	100.00%
East Tennant - Northern Territory	EL32109	Yes	100.00%	100.00%
Saxby North - Queensland	EPM27378	Yes	100.00%	100.00%

The recoverability of the carrying amounts of the exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest. A review of the Consolidated Entity's exploration licenses was undertaken during the financial year and based on the review management identified no impairment indicators. Further information on operating activities and development are included in the directors report.

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 11. Non-current assets - other non-current assets

	Consolidated 2020 $	Consolidated 2019 $
Security deposits	1,735	-
Other deposits	20,000	23,569
	21,735	23,569

Other deposits represent a term deposit of $20,000 lodged as security over a credit card facility.

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.

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2020	**2019**
	$	**$**
Trade payables	98,280	66,378
Other payables	37,602	25,760
	135,882	92,138

Refer to note 16 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 13. Equity - issued capital

	Consolidated			
	2020	**2019**	**2020**	**2019**
	Shares	**Shares**	**$**	**$**
Ordinary shares - fully paid	1,187,500,000	900,000,000	32,661,027	31,594,519

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2018	840,000,000		31,294,519
Issue of fully paid ordinary shares	14 August 2018	44,000,000	$0.005	220,000
Issue of fully paid ordinary shares	7 December 2018	16,000,000	$0.005	80,000
Balance	30 June 2019	900,000,000		31,594,519
Issue of fully paid ordinary shares	5 July 2019	50,000,000	$0.0060	300,000
Issue of fully paid ordinary shares	9 June 2020	237,500,000	$0.0034	807,500
Capital raising costs		-	-	(40,992)
Balance	30 June 2020	1,187,500,000		32,661,027

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.

Note 13. Equity - issued capital (continued)

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 2019 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 14. Equity - reserves

	Consolidated	
	2020	**2019**
	$	**$**
Financial assets at fair value through other comprehensive income reserve	-	(8,333)
Options reserve	352,911	290,648
Demerger Reserve	-	(23,848,081)
	352,911	(23,565,766)

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. As the residual investments in QGL were all disposed in full, the demerger reserve balance was transferred to accumulated losses in full.

Note 14. Equity - reserves (continued)

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 2018	526,073	(23,848,081)	-	(23,322,008)
Revaluation - gross	-	-	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)
De-recognition of reserve upon sale	-	23,848,081	-	23,848,081
Share-based payments	62,263	-	-	62,263
Revaluation decrements on financial assets at fair value through other comprehensive income	-	-	(25,000)	(25,000)
De-recognition of asset revaluation reserve surplus upon sale	-	-	33,333	33,333
Balance at 30 June 2020	352,911	-	-	352,911

Note 15. Equity - dividends

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

Note 16. 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 may arise 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.

Note 16. Financial instruments (continued)

Price risk
The Consolidated Entity is exposed to price risk in relation to the shares that it owned in other listed entities at 30 June 2019 (2020: Nil).

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

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. The Consolidated Entity doesn't have any interest bearing liabilities.

As at the reporting date, the Consolidated Entity had the following variable interest rates:

	2020		2019	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash at bank and in hand	0.05%	945,246	1.34%	1,054,254
Net exposure to cash flow interest rate risk		945,246		1,054,254

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash at bank for the 2019 financial year. The impact would not be material on bank balances held at 30 June 2020. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

	Basis points increase			Basis points decrease		
Consolidated - 2019	**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)

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.

Note 16. Financial instruments (continued)

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 - 2020	Weighted average interest rate %	1 year or less $	Remaining contractual maturities $
Non-derivatives			
Non-interest bearing			
Trade and other payables	-	135,882	135,882
Other loans	-	8,500	8,500
Total non-derivatives		144,382	144,382

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

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 17. 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)

Note 17. Key management personnel disclosures (continued)

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

	Consolidated 2020 $	Consolidated 2019 $
Short-term employee benefits	405,615	396,376
Post-employment benefits	15,734	15,236
Share-based payments	62,263	-
	483,612	411,612

Note 18. 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 2020 $	Consolidated 2019 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	33,500	33,500

Note 19. Commitments

	Consolidated 2020 $	Consolidated 2019 $
Exploration Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	353,642	400,878
One to five years	1,640,358	84,311
	1,994,000	485,189

The commitments above represent the minimum spending required for each areas of interest owned by the Consolidated Entity and exclude formed-out exploration interests, which are not managed by the Consolidated Entity. Refer note 10 to the financial statements for further information on areas of interest owned by the Consolidated Entity.

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 20. Related party transactions

Parent entity
Strategic Energy Resources Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 22.

Joint operations
Interests in joint operations are set out in note 23.

Key management personnel
Disclosures relating to key management personnel are set out in note 17 and the remuneration report included in the Directors' report.

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

	Consolidated	
	2020	2019
	$	$
Payment for geological services*	240,000	236,000

* 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 and the Consolidated Entity throughout the year.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2020	2019
	$	$
Current payables:		
Trade and other payables to directors	32,507	-

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2020	2019
	$	$
Current borrowings:		
Loan from directors	8,500	-

During the year Directors advanced loans (all Directors participating) to the Company for working capital purposes which were due to be repaid on or before 31 December 2020. The Loans were unsecured and did not bear any interest. The outstanding directors loans as at 30 June 2020 were $8,500 and were repaid in full after the year end.

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

Note 21. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2020 $	Parent 2019 $
Loss after income tax	(425,684)	(694,842)
Total comprehensive income	(425,684)	(694,842)

Statement of financial position

	Parent 2020 $	Parent 2019 $
Total current assets	1,045,601	1,088,373
Total assets	2,690,761	1,960,434
Total current liabilities	144,382	92,138
Total liabilities	144,382	92,138
Equity		
Issued capital	32,661,027	31,594,520
Financial assets at fair value through other comprehensive income reserve	-	(8,333)
Options reserve	352,911	290,648
Accumulated losses	(30,467,559)	(30,008,539)
Total equity	2,546,379	1,868,296

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 2020 and 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 2020 and 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 2020 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 22. 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 2020 %	Ownership interest 2019 %
Strategic Nickel Pty Ltd	Australia	100%	100%
Strategic Sands Pty Ltd	Australia	100%	100%

Note 23. Farm-outs in the exploration and evaluation phase

The Consolidated Entity had interests in unincorporated joint operations at 30 June 2020 as follows;

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Myall Creek (EL6140) - South Australia	Australia	100.00%	100.00%
Roopena (EL5898) - South Australia	Australia	100.00%	100.00%

Myall Creek Project – on 21 June 2019, the Company entered in to a farm-out agreement with FMG Resources Pty Ltd, a subsidiary of Fortescue Metals Group Limited (ASX: FMG), for drilling at Myall Creek (EL6140 and EL5898). FMG will be the operator during the period and committed to spend $1.5m on exploration over 5 years, including a minimum of 1500m of drilling at Myall Creek to earn an 80% interest in the project.

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 24. Events after the reporting period

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

The Consolidated Entity satisfied the completion conditions on 20 July 2020 and received the $80,000 cash consideration and $200,000 in Vox Royalty shares.

On 12 August 2020 the Company issued 412,500,000 ordinary shares at an issue price of $0.0034 per share, raising $1,402,500, before costs. Further, the Company issued 2,000,000 options to employees at $0.01 with expiry date of 12 December 2022.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2020	**2019**
	$	**$**
Loss after income tax expense for the year	(425,684)	(694,845)
Adjustments for:		
Depreciation and amortisation	2,453	1,226
Share-based payments	62,263	-
Exploration costs written off	-	105,522
Change in operating assets and liabilities:		
Increase in other receivables	(54,929)	(5,532)
Increase in prepayments	(12,031)	(6,703)
Increase in trade and other payables	15,175	27,337
Net cash used in operating activities	(412,753)	(572,995)

Note 26. Loss per share

	Consolidated	
	2020	**2019**
	$	**$**
Loss after income tax attributable to the owners of Strategic Energy Resources Limited	(425,684)	(694,845)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	963,729,508	887,561,644
Weighted average number of ordinary shares used in calculating diluted earnings per share	963,729,508	887,561,644
	Cents	**Cents**
Basic loss earnings per share	(0.044)	(0.078)
Diluted loss earnings per share	(0.044)	(0.078)

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 2020, the Consolidated Entity had 85,500,000 (2019: 62,500,000) unlisted options on issue, which are exercisable at $0.01 (1 cent) per option expiring on or before 28 November 2020 and 12 December 2022. 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.

Note 26. Loss per share (continued)

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 27. Share-based payments

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

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
27/11/2017	28/11/2020	$0.01	62,500,000	-	-	-	62,500,000
17/12/2019	12/12/2022	$0.01	-	20,000,000	-	-	20,000,000
			62,500,000	20,000,000	-	-	82,500,000
Weighted average exercise price			$0.0100	$0.0100	$0.0000	$0.0000	$0.0100

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	$0.01	62,500,000	-	-	-	62,500,000
			84,000,000	-	-	(21,500,000)	62,500,000
Weighted average exercise price			$0.013	$0.00	$0.00	$0.0232	$0.01

A total of 20,000,000 unlisted options were issued to Directors and Key Management Personal during the year (2019:Nil).

Options issued during the financial year have been valued using the black scholes method and the Consolidated Entity recognised share based payment expenses of $62,263 (2019: Nil).

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

Grant date	Expiry date	2020 Number	2019 Number
27/11/2017	28/11/2020	62,500,000	62,500,000
17/12/2019	12/12/2022	20,000,000	-
		82,500,000	62,500,000

For the options granted during 2018 and current 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	$0.007	$0.01	122.00%	1.83%	$0.005
17/01/2019	12/12/2022	$0.005	$0.01	126.00%	0.70%	$0.003

A total of 20,000,000 (2019: Nil) options were granted to Directors during financial year, all of which vested immediately. The total share based payment expenses of $62,263 (2019: Nil) was recognised during financial year.

Note 27. Share-based payments (continued)

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.

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 2020 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

18 August 2020
Melbourne

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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 2020, 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 2020 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.

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 $484,867 during the year ended 30 June 2020, and had a net operating cash outflows of $412,753. 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 – Note 10	

At 30 June 2020 the carrying value of exploration and evaluation assets was $1,619,745. During the year management did not recognise an impairment loss on these assets.
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:
	• obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;
	• reviewing management's area of interest considerations against AASB 6;
	• conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including;
	  ○ tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;
	  ○ enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;
	  ○ understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;
	• assessing managements evaluation of potential impairment triggers; 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 2020, 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 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 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Strategic Energy Resources Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

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, 18 August 2020

The shareholder information set out below was applicable as at 17 August 2020.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Total units	%	Number of holders of unlisted options	Total units	%
1 to 1,000	84	6,956	0.00	-	-	-
1,001 to 5,000	18	59,649	0.00	-	-	-
5,001 to 10,000	51	424,876	0.03	-	-	-
10,001 to 100,000	439	26,361,265	1.65	-	-	-
100,001 and over	853	1,573,147,254	98.32	6	84,500,000	100.00
	1,436	1,600,000,000	100.00	6	84,500,000	100.00
Holding less than a marketable parcel	408	-	-	-	-	-

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
Abadi Investments Pty Ltd	147,058,823	9.19
Pillage Investments Pty Ltd	90,000,000	5.63
E R C Australasia Pty Ltd	88,823,530	5.55
Newpuzzle Holdings Pty Ltd	79,411,765	4.96
1215 Capital Pty Ltd	72,433,380	4.53
Omen Pty Ltd	64,011,734	4.00
Mr Nicolas Terranova	40,000,000	2.50
National Nominees Limited	36,764,706	2.30
Mr Zhongming Hong	33,823,529	2.11
Kslcorp Pty Ltd	30,000,000	1.88
Osmium Holdings Pty Ltd	30,000,000	1.88
Hongmen Pty Ltd	28,348,647	1.77
George Wa Pty Ltd	25,000,000	1.56
Mr Mark Anthony Broglio	21,900,000	1.37
J P Morgan Nominees Australia Pty Limited	14,421,664	0.90
Mr Michael Francis O'Brien	13,449,610	0.84
Spiceme Capital Pty Ltd	15,692,626	0.98
BNP Paribas Nominees Pty Ltd	12,376,709	0.77
MS CHUNYAN NIU	11,354,100	0.71
Mr Walid Khnaizer	10,611,110	0.66
	865,481,933	54.09

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	84,500,000	6

	Options over	
	Number held	% of total options
Osmium Holdings Pty Ltd	32,500,000	38.46
Harshell Investments Pty Ltd	22,000,000	26.04
George WA Pty Ltd and David DeTata	28,000,000	31.14

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Datt Group	183,823,529	11.49
Anthony Rechner	155,835,264	9.74
Zhongming Hong and associated entities	141,583,941	8.85
Graeme Kirk	120,000,000	7.50

Director Nomination

The Company will hold its Annual General Meeting of shareholders on 18 November 2020. The Company also advises that in accordance with ASX Listing Rule 14.5 and the Company's constitution the Closing Date for receipt of nominations for the position of Director is Wednesday, 30 September 2020. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on this date at the Company's Registered Office.

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.

Unlisted options
The unlisted options on issue do not carry any voting rights.

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
East Tennant - Northern Territory	EL32109	100
Saxby North - Queensland	EPM27378	100