Strategic Energy Resources

Strategic Energy Resources Limited

ABN 14 051 212 429

Annual Report - 30 June 2018

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Directors	Mr Stuart Rechner (Executive Chairman) Mr Harvey Kaplan (Non-Executive Director) Dr David DeTata (Non-Executive Director)
Company secretary	Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne, VIC 3205 Ph: (03) 9692 7222 Fax: (03) 9077 9233
Principal place of business	Level 4, 100 Albert Road South Melbourne, VIC 3205 Ph: (03) 9692 7222 Fax: (03) 9077 9233
Share register	Link Market Services Limited Tower 4, 727 Collins Street Docklands Vic, 3008 Ph: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd Tower 1, Collins Square 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

MINERAL EXPLORATION

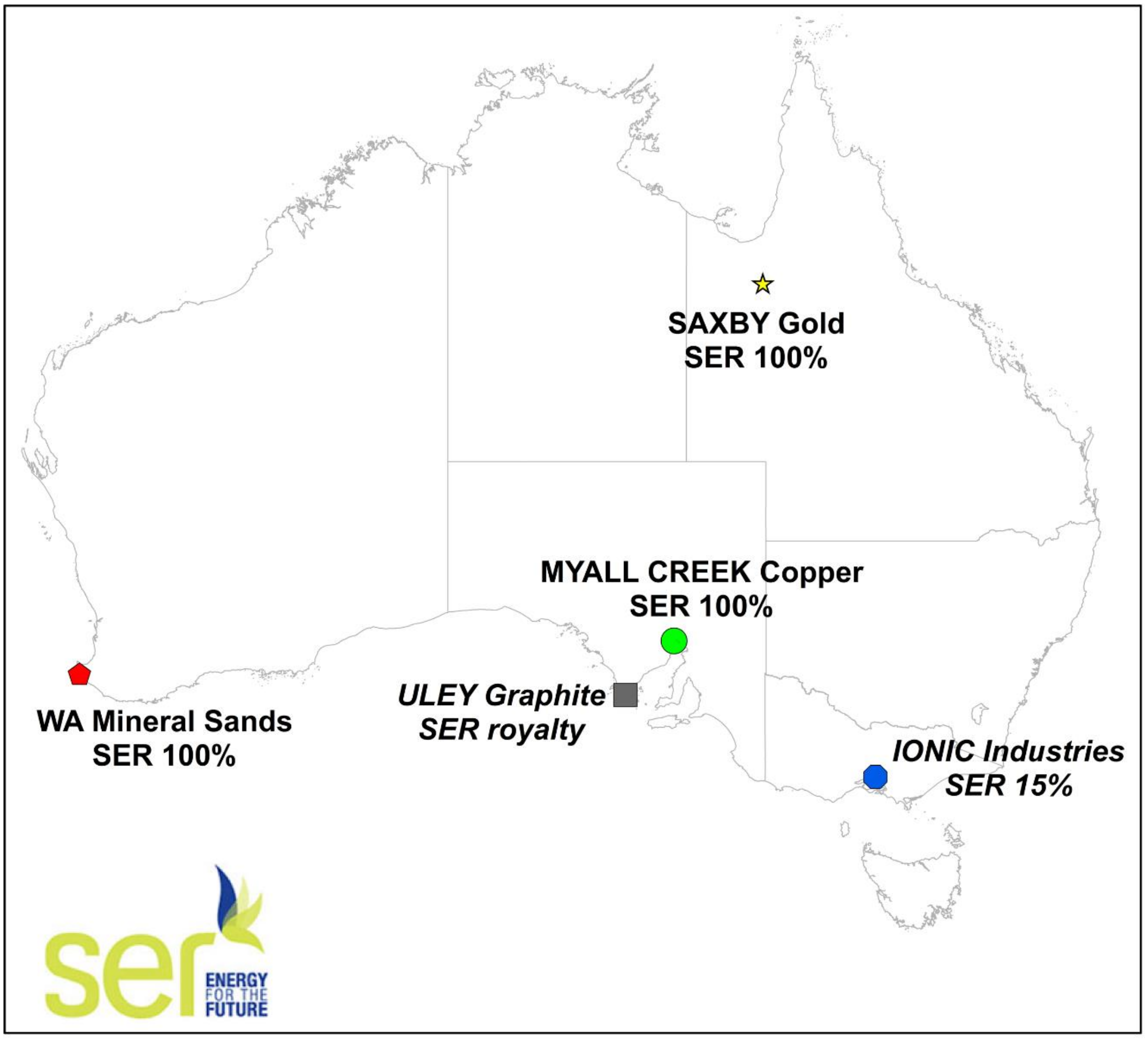

Figure 1: SER Projects

HEAVY MINERAL SANDS EXPLORATION

WESTERN AUSTRALIA (SER 100%)

During the year SER defined a significant increase to the JORC 2012 Inferred Mineral Resource at the Ambergate heavy mineral sands project near Busselton in Western Australia.

The updated total JORC 2012 Inferred Mineral Resource is **11.2Mt grading 5.1% Heavy Minerals for a total Heavy Mineral content of 569,000t.** The resource 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. Full details of the updated resource are available in SER's Announcement of 17 April 2018.

The additional mineral lies immediately west of SER's existing exploration licence on new ground identified and pegged by SER and granted in early 2018. Mineralisation at Ambergate occurs at surface and shallow depths.

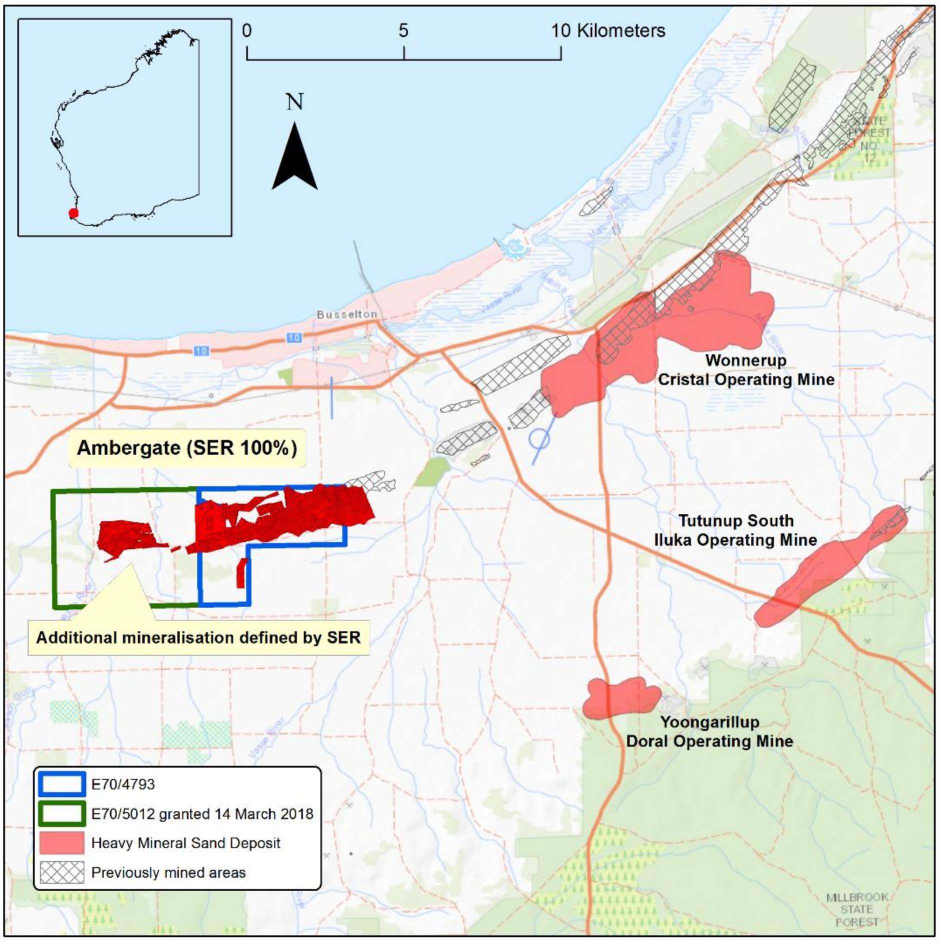

Figure 2: Ambergate Heavy Mineral Resource with surrounding operating heavy mineral mines

SER is considering several options to advance Ambergate including additional drilling and assaying to further upgrade the resource and preliminary optimisation studies to consider development options.

Following a detailed review, SER surrendered two of our West Australian heavy mineral sands projects. SER's review considered technical factors such as grade, tonnage, mineral assemblage / quality, slimes content, overburden / strip ratio and non-technical issues including existing land-use. The surrender of these licences will allow greater focus on the highest potential projects.

SER is working on defining resources at our other WA heavy mineral sands projects. This is in accordance with our strategy of building a heavy mineral sands resource base during what we consider to be an exciting growth period for mineral sands demand.

MYALL CREEK COPPER PROJECT
SOUTH AUSTRALIA (SER 100%)

The Myall Creek copper project is located to the west of the Spencer Gulf and covers a large area of the highly prospective Olympic Copper-Gold Province of the eastern Gawler Craton. SER is targeting both Iron Oxide Copper Gold (IOCG) mineralisation in the Proterozoic basement and sediment-hosted mineralisation in the overlying sediments. Key IOCG host rocks are present within the project area and overlying sediments include a 15km zone with anomalous copper in historic drilling.

During the financial year, SER became the 100% holder of the Myall Creek Copper project.

In 2018, Fortescue Metals Group (FMG) has taken a keen interest in the area, pegging all available ground around Myall Creek.

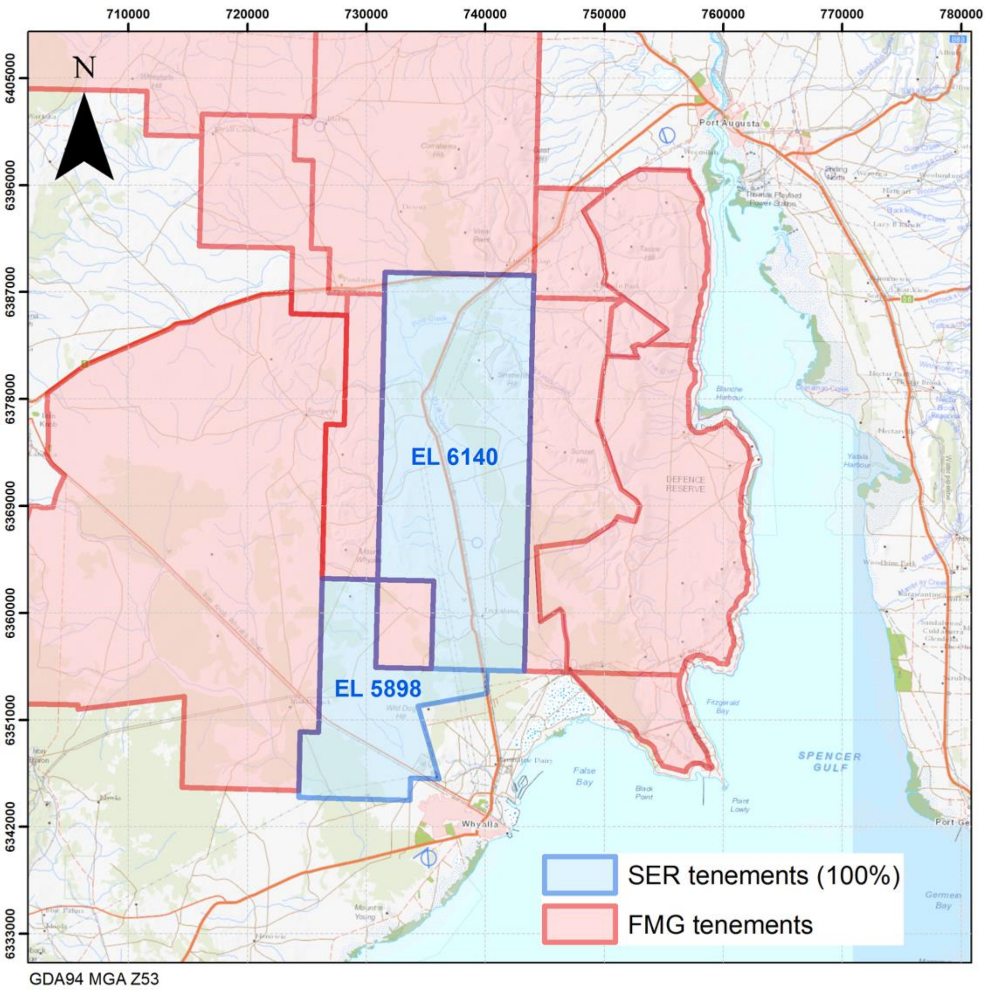

Figure 3: Myall Creek project surrounding tenements

In recent years, the Department of Defence has expanded the Cultana Training Area approximately four-fold by acquiring the surrounding pastoral leases. The Cultana Training Area Expansion now covers the majority of SER's EL6140 and EL5898.

SER is well placed to secure ongoing access as SER is one of the only groups to have been previously granted a Deed of Access to explore within the Cultana Training Area. SER completed our previous exploration program, including a major drilling campaign, and rehabilitation without incident and received favourable feedback from Defence.

Upon obtaining access, SER has planned a detailed ground gravity survey within EL5898 to refine drill targets generated by previous holder St Barbara but never tested.

SAXBY GOLD PROJECT
QUEENSLAND (SER 100%)

The Saxby Gold Project is located 165km north-northeast of Cloncurry in the Gulf Country of northwest Queensland. SER is targeting gold mineralisation hosted in basement rocks of the Eastern Succession of the Mt Isa Province buried beneath younger sedimentary cover of the Carpentaria Basin.

Previous drilling at Saxby includes high grade intersections of 17m @ 6.75g/t Au and 15m @ 9.09 g/t Au in two holes 190m apart.

During the year, SER concluded a binding Native Title agreement and held discussions with potential Joint Venture partners.

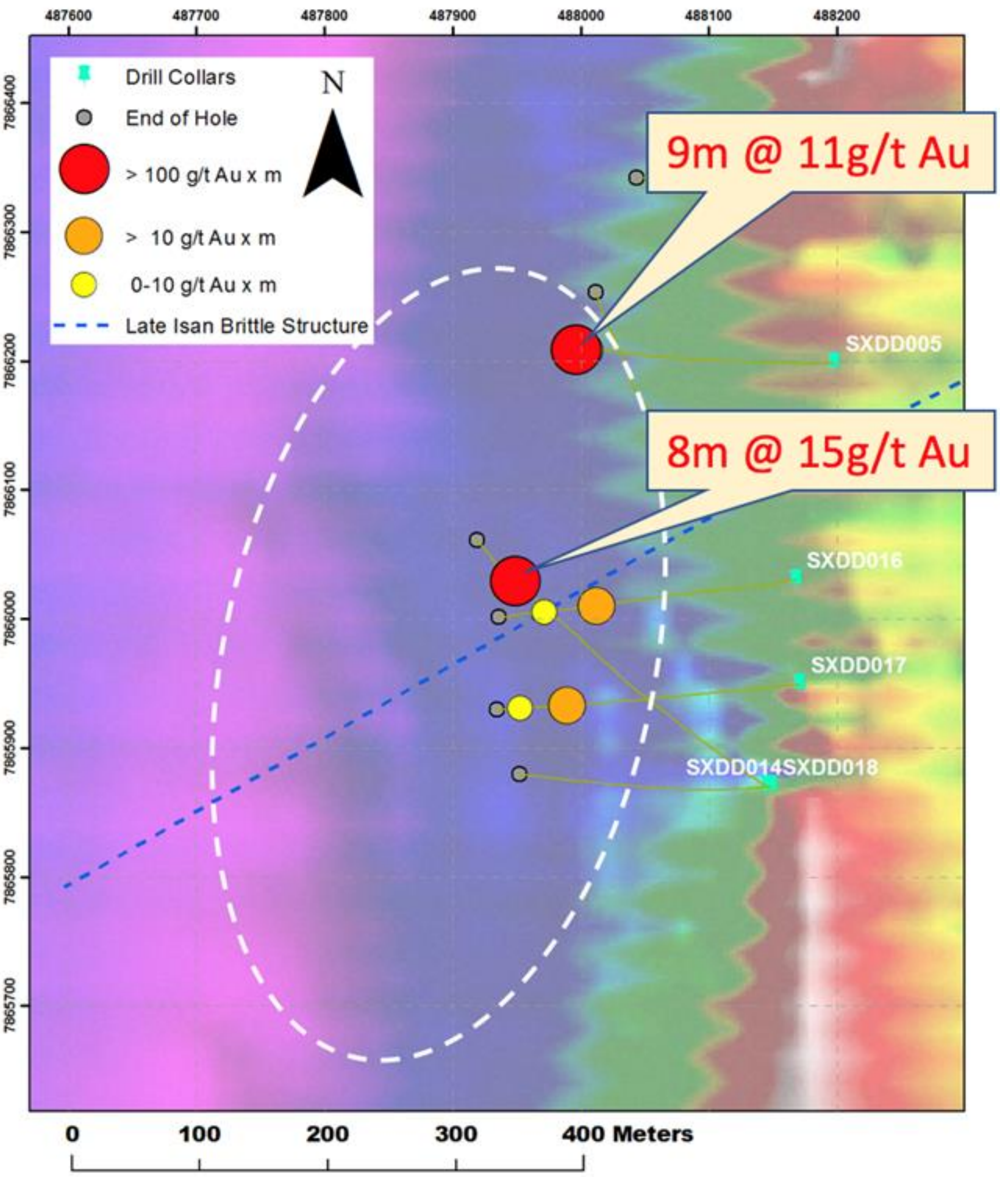

Figure 4: Previous drilling at Saxby over Magnetics with gold intercepts and SER focus area (white dashed)

During the financial year, SER also evaluated a number of new mineral exploration opportunities.

CORPORATE AND INVESTMENTS

Market conditions for mineral exploration continue to improve overall with some volatility. Following capital raising in August 2017 and prudent expenditure since that time, SER remains well placed to advance our exploration projects and new opportunities in mineral exploration.

During the year, SER appointed Mr Harvey Kaplan and Dr David DeTata as Non-Executive Directors to the Board. Technical Director Mr Anthony Rechner and Non-Executive Director Mr Peter Armitage resigned from the Board.

IONIC INDUSTRIES UPDATE (SER 15%)
During the year, Ionic and joint venture partner CleanTeQ Holdings Ltd (ASX: CLQ) enjoyed considerable success under the CRC-P program *Power Efficient Waste Water Treatment Using Graphene Oxide Technology* and is on track to deliver waste water treatment technologies by late 2018.

Regarding supercapacitors, Ionic filed a new patent titled: Capacitive energy storage device and method of producing same (Australian Provisional Patent Application 2017903619) which covers:

- the design of a planar micro supercapacitor printed on a porous film;
- the technique of stacking multiple layers of planar supercapacitors to create a 3-D device that has ground-breaking energy and power density characteristics; and, most importantly,
- the method for mass printing these devices at low cost.

Ionic has named these printable, 3D-stacked micro supercapacitors – “MICRENs”.

Ionic subsequently completed all testing required to support the patent application for printable, 3D-stacked micro supercapacitors – “MICRENs”. Results were as expected, demonstrating that Ionic can achieve consistent results over many repetitions. Ionic is now creating more sophisticated devices that will be closer to meeting the specific performance requirements in target markets.

During the year, Ionic welcomed two new members to the Monash research team:

- Dr Meysam Sharifzadeh from Nanyang Technical University in Singapore bringing expertise in materials science and device design and fabrication; and
- Dr Sebastian Hernandez from the University of Kentucky bringing specific knowledge in chemical-environmental engineering processes, separation processes and nanocomposites.

During the year, Ionic raised approximately $600,000 through the issue of shares by means of unsolicited applications and private share placements.

QUANTUM GRAPHITE
During the year, SER undertook a number of actions to protect our interest in Quantum Graphite Limited (ASX: QGL) (formerly Valence Industries Limited). This included an attempted requisition for a general meeting of shareholders and an application to the Takeovers Panel. Unfortunately, these actions were not successful.

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 2018.

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) - appointed Executive Chairman 10 October 2017
Mr Harvey Kaplan (Non-Executive Director) - appointed 10 October 2017
Dr David DeTata (Non-Executive Director) - appointed 11 October 2017
Mr Peter Armitage (Non-Executive Director) - resigned 10 October 2017
Mr Anthony Rechner (Technical Director) - resigned 11 October 2017

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 $766,260 (30 June 2017: $514,637).

Operating expenses for the year $806,437 (2017: $518,831). Corporate expenses amounted to $248,381 (2017: $265,444) resulting from continuing operations. Employee benefit expenses amounted to $133,494 (2017: $133,258). Share based payments as a result of options issued to Directors following shareholder approval amounted to $290,648 (2017: Nil).

The net assets of the consolidated entity increased by $1,679,535 to $2,226,592 as at 30 June 2018 (2017: $547,057). The movements during the period was largely due to two placements issuing 435,634,124 fully paid ordinary shares which raised a total of $2,178,171 (before costs).

Working capital, being current assets less current liabilities, increased by $1,500,159 to $1,622,809 (2017: $122,650). The consolidated entity had a net cash outflows from operating activities for the period of $409,575 (2017: $490,808).

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 3 August 2017, the consolidated entity, completed a placement issuing 200,000,000 fully paid ordinary shares at an issue price of $0.005 (0.5 cents) per share raising a total of $1,000,000 (before costs).

On 31 August 2017, the consolidated entity completed a placement issuing 235,634,124 fully paid ordinary shares at an issue price of $0.005 (0.5 cents) per share raising a total of $1,178,171 (before costs).

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

Matters subsequent to the end of the financial year
On 7 August 2018, the consolidated entity announced that it would undertake a placement to issue 60,000,000 fully paid ordinary shares at an issue price of $0.005 (0.5 cents) per share to raise $300,000 (before costs). Included in this placement will be an issue of shares to Directors subject to shareholder approval at the company's 2018 Annual General Meeting.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

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

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

Environmental regulation

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

Information on directors

Name:	Mr Stuart Rechner
Title:	Executive Chairman
Experience and expertise:	Mr Rechner BSc LLB MAIG GAICD is an experienced company Director with a background in project generation and acquisition. Mr Rechner holds degrees in both geology and law and is a member of the Australian Institute of Geoscientists and the Australian Institute of Company Directors. For over ten years Mr Rechner was an Australian diplomat responsible for the resources sector with postings to Beijing and Jakarta.
Other current directorships:	Kalia Limited (ASX: KLH) (Formerly GB Energy Limited (ASX: GBX))- Resigned 28 September 2017; Kingston Resources Limited (ASX: KSN)
Former directorships (last 3 years):	None
Interests in shares:	10,000,000 fully paid ordinary shares
Interests in options:	5,000,000 unlisted options exercisable at $0.0232 (2.32 cents) per option on or before the 30 April 2019; 22,500,000 unlisted options exercisable at $0.01 (1 cent) per option on or before the 28 November 2020

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

Name:	Dr David DeTata
Title:	Non-Executive Director
Experience and expertise:	Dr DeTata is an experienced scientific professional and public company director with over 14 years' experience in scientific research and investigations. Dr DeTata holds a Doctor of Philosophy in energetic materials analysis and Master of Business Administration from the University of Western Australia.
Other current directorships:	Kalia Limited (ASX: KLH) (Formerly GB Energy Limited (ASX: GBX)) - Resigned 26 October 2017
Former directorships (last 3 years):	None
Interests in shares:	4,000,000 fully paid ordinary shares
Interests in options:	20,000,000 unlisted options exercisable at $0.01 (1 cent) per option on or before the 28 November 2020

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

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

Company secretary

Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial professions 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, she has been the principal of Leydin Freyer, specialising in outsourced company secretarial and financial duties.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mr S Rechner	3	3	1	1
Mr H Kaplan	2	2	-	-
Mr D DeTata	2	2	-	-
Mr P Armitage	1	1	1	1
Mr A Rechner	-	1	-	-

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 the 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.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- focuses on sustained growth in shareholder wealth, consisting of growth in share price and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers value;
- attracts and retains high calibre executives.

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. The chairman's fees are determined independently to the fees of other non-Executive Directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

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.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

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 linked to the performance, share price or earnings of the consolidated entity.

Non-executive Directors and executives have been granted options over shares in the current period. The recipients of options are responsible for growing the entity and increasing shareholder value. The options provide an incentive to the recipients to remain with the entity and to continue to enhance the group's value.

Voting and comments made at the company's 27 November 2017 Annual General Meeting ('AGM')
The company received 97.99% of 'for' votes in relation to its remuneration report for the year ended 30 June 2017. 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) - Appointed Executive Chairman 10 October 2017
- Mr H Kaplan (Non-Executive Director) - Appointed 10 October 2017
- Dr D DeTata (Non-Executive Director) - Appointed 11 October 2017
- Mr P Armitage (Non-Executive Director) - Resigned 10 October 2017
- Mr A Rechner (Technical Director) - Resigned 11 October 2017

- Ms M Leydin (Company Secretary): During the year Ms Leydin was no longer considered a member of Key Management Personnel and was therefore no longer included within the remuneration tables for the 2018 financial year.

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

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

	Short-term benefits	Post-employment benefits	Share-based payments	
2017	Cash salary and fees $	Super-annuation $	Equity-settled $	Total $
Non-Executive Directors:				
Mr P Armitage	44,182	-	-	44,182
Executive Directors:				
Mr S Rechner *	201,783	3,818	-	205,601
Mr A Rechner **	99,932	7,418	-	107,350
Other Key Management Personnel:				
Ms M Leydin ***	90,000	-	-	90,000
	435,897	11,236	-	447,133

* Included in Cash salary and fees are $40,183 of directors fees and $161,600 for Geological services provided by Diplomatic Exploration Pty Ltd (an entity associated with Mr Stuart Rechner)
** Includes fees of $21,850 paid to Omen Pty Ltd in respect to Geological consulting services
*** Fees paid to Leydin Freyer Corp Pty Ltd in respect of Company secretarial and accounting services

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2018	2017	2018	2017	2018	2017
Non-Executive Directors:						
David DeTata	22%	-	-	-	78%	-
Harvey Kaplan	22%	-	-	-	78%	-
Peter Armitage*	100%	100%	-	-	-	-
Executive Directors:						
Stuart Rechner	69%	100%	-	-	31%	-
Anthony Rechner	100%	100%	-	-	-	-
Other Key Management Personnel:						
Ms M Leydin	-	100%	-	-	-	-

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

Name:	Mr Stuart Rechner
Title:	Geological Consultant
Agreement commenced:	1 March 2016
Term of agreement:	Contract is for a period of 2 years from the commencement date, however now continues on an ongoing basis.
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 2018.

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

The options issued to Directors during the year did not have any service or performance conditions attached and vested immediately.

Options granted carry no dividend or voting rights.

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

Name	Number of options granted during the year 2018	Number of options granted during the year 2017	Number of options vested during the year 2018	Number of options vested during the year 2017
Stuart Rechner	22,500,000	-	-	-
Harvey Kaplan	20,000,000	-	-	-
David DeTata	20,000,000	-	-	-

Additional information

The earnings of the consolidated entity for the five years to 30 June 2018 are summarised below:

	2018 $	2017 $	2016 $	2015 $	2014 $
Revenue	40,177	4,194	62,257	156,982	2,648,381
Profit/(loss) before income tax	(766,260)	(514,637)	(5,547,426)	(2,325,582)	1,275,159
Profit/(loss) after income tax	(766,260)	(514,637)	(5,547,426)	(2,325,582)	1,275,159

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

	2018	2017	2016	2015	2014
Share price at financial year end ($)	0.004	0.005	0.014	0.028	0.040
Basic earnings/(loss) per share (cents per share)	(0.098)	(0.145)	(1.591)	(0.641)	0.370

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:

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Mr P Armitage*	200,560	-	-	(200,560)	-
Mr A Rechner *	35,391,894	-	70,000,000	(105,391,894)	-
Mr S Rechner	-	-	10,000,000	-	10,000,000
Dr D DeTata**	-	-	-	4,000,000	4,000,000
	35,592,454	-	80,000,000	(101,592,454)	14,000,000

* Mr P Armitage and Mr A Rechner resigned on 10 October 2017 and 11 October 2017 respectively
** Mr D DeTata was appointed on 11 October 2017

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/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mr P Armitage*	5,000,000	-	-	(5,000,000)	-
Mr A Rechner *	10,000,000	-	-	(10,000,000)	-
Ms M Leydin**	1,500,000	-	-	(1,500,000)	-
Mr S Rechner	5,000,000	22,500,000	-	-	27,500,000
Mr H Kaplan***	-	20,000,000	-	-	20,000,000
Dr D DeTata***	-	20,000,000	-	-	20,000,000
	21,500,000	62,500,000	-	(16,500,000)	67,500,000

* Mr P Armitage and Mr A Rechner resigned on 10 October 2017 and 11 October 2017 respectively
** Ms M Leydin was no longer considered a member of Key Management Personnel during the year
*** Mr H Kaplan and Mr D DeTata were appointed on 10 October 2017 and 11 October 2017 respectively

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
4 May 2016	30 April 2019	$0.0232	21,500,000
27 November 2017	28 November 2020	$0.01	62,500,000
			84,000,000

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 or of any other body corporate.

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 2018 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

8 August 2018
Melbourne

Grant Thornton

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Auditor's Independence Declaration

To the Directors 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 2018, 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, 8 August 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue	5	40,177	4,194
Expenses			
Impairment of available for sale financial assets	9	(20,000)	(43,900)
Employee benefits expense		(133,494)	(133,258)
Corporate expenses		(248,381)	(265,444)
Exploration expenditure written off	10	(56,261)	(43,261)
Other expenses		(57,653)	(32,968)
Share based payments	26	(290,648)	-
Loss before income tax expense		(766,260)	(514,637)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of Strategic Energy Resources Limited		(766,260)	(514,637)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Strategic Energy Resources Limited		(766,260)	(514,637)
		Cents	**Cents**
Basic loss earnings per share	25	(0.098)	(0.145)
Diluted loss earnings per share	25	(0.098)	(0.145)

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

	Note	Consolidated 2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	7	1,665,419	174,353
Trade and other receivables	8	11,449	14,870
Prepayments		10,742	8,097
Total current assets		1,687,610	197,320
Non-current assets			
Available-for-sale financial assets	9	3,900	23,900
Exploration and evaluation	10	576,610	378,364
Other non-current assets	11	23,273	22,592
Total non-current assets		603,783	424,856
Total assets		2,291,393	622,176
Liabilities			
Current liabilities			
Trade and other payables	12	64,801	71,361
Employee benefits		-	3,309
Total current liabilities		64,801	74,670
Non-current liabilities			
Employee benefits		-	449
Total non-current liabilities		-	449
Total liabilities		64,801	75,119
Net assets		2,226,592	547,057
Equity			
Issued capital	13	31,294,519	29,139,372
Reserves	14	(23,322,008)	(23,612,656)
Accumulated losses		(5,745,919)	(4,979,659)
Total equity		2,226,592	547,057

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

Strategic Energy Resources Limited
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	**Contributed equity $**	**Accumulated losses $**	**Reserves $**	**Total equity $**
Balance at 1 July 2016	28,833,224	(4,673,022)	(23,404,656)	755,546
Loss after income tax expense for the year	-	(514,637)	-	(514,637)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(514,637)	-	(514,637)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 13)	306,148	-	-	306,148
Options expired	-	208,000	(208,000)	-
Balance at 30 June 2017	29,139,372	(4,979,659)	(23,612,656)	547,057

Consolidated	**Contributed equity $**	**Accumulated losses $**	**Reserves $**	**Total equity $**
Balance at 1 July 2017	29,139,372	(4,979,659)	(23,612,656)	547,057
Loss after income tax expense for the year	-	(766,260)	-	(766,260)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(766,260)	-	(766,260)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 13)	2,155,147	-	-	2,155,147
Share-based payments (note 26)	-	-	290,648	290,648
Balance at 30 June 2018	31,294,519	(5,745,919)	(23,322,008)	2,226,592

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

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(447,124)	(495,002)
Interest received		31,593	225
Other revenue		5,956	3,969
Net cash used in operating activities	24	(409,575)	(490,808)
Cash flows from investing activities			
Payments for exploration and evaluation		(254,507)	(236,647)
Net cash used in investing activities		(254,507)	(236,647)
Cash flows from financing activities			
Proceeds from issue of shares	13	2,178,171	263,717
Share issue transaction costs		(23,023)	(2,569)
Net cash from financing activities		2,155,148	261,148
Net increase/(decrease) in cash and cash equivalents		1,491,066	(466,307)
Cash and cash equivalents at the beginning of the financial year		174,353	640,660
Cash and cash equivalents at the end of the financial year	7	1,665,419	174,353

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

Note 1. General information

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

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

Level 4, 100 Albert Road
South Melbourne, VIC 3205

The financial statements were authorised for issue, in accordance with a resolution of directors, on 8 August 2018. 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, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

None of these Accounting Standards and Interpretations had a material effect.

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

Going concern

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

Following a successful capital raising of $2.18m, the consolidated entity's working capital position (current assets over current liabilities) has increased from $122,650 to $1,622,809. Given the recent historical levels of net operating cash outflows and the forecasted net operating and other cash flows for 2019 we are of the opinion that the financial report can be prepared on a going concern basis.

On 7 August 2018, the consolidated entity announced that it would undertake a placement to issue 60,000,000 fully paid ordinary shares at an issue price of $0.005 (0.5 cents) per share to raise $300,000 (before costs).

The Directors will continue to monitor the funding requirements through the preparation of cash flow forecasts. Should specific new opportunities occur or drilling results dictate a significant increase in activities the consolidated entity will consider additional capital raising or asset divestments.

Rounding of amounts

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

Basis of preparation

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

Historical cost convention

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

Note 2. Significant accounting policies (continued)

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 2018 and the results of all subsidiaries for the year then ended. Strategic Energy Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

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

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

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

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

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 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace AASB139 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under 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. The standard introduces additional new disclosures. There will be no material impact on the carrying values. Changes in fair value are expected to continue being recorded through OCI, with the one-time election to record equity investments as such expected to be undertaken by the directors. Under AASB 9 the fair value gains/losses in relation to equity are not recycled to the Statement of Profit and Loss (even on disposal of the investment) and are not subject to impairment testing.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but it is expected to have no material impact as there are no contracts with customers.

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

Note 3. Critical accounting judgements, estimates and assumptions

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

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

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

Note 4. Operating segments

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

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

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

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

Note 5. Revenue

	Consolidated	
	2018 $	2017 $
Interest revenue	32,416	4,194
Sundry income	7,761	-
Revenue	40,177	4,194

Accounting policy for revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest
Interest revenue 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.

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

Note 6. Income tax

	Consolidated	
	2018 $	2017 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(766,260)	(514,637)
Tax at the statutory tax rate of 27.5% (2017: 30%)	(210,722)	(154,391)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payments	79,928	-
Other permanent differences	197	(4,031)
Impairment of exploration assets	(69,990)	(83,301)
Impairment of financial assets	5,500	13,170
	(195,087)	(228,553)
Income tax losses carried forward not taken up as a benefit	195,087	228,553
Income tax expense	-	-

	Consolidated	
	2018 $	2017 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	26,799,033	26,141,277
Potential tax benefit at statutory tax rates	7,369,734	7,842,383

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.

Note 6. Income tax (continued)

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	
	2018	**2017**
	$	**$**
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	7,369,734	7,842,323
Temporary differences	1,017,143	1,165,916
Total deferred tax assets not recognised	8,386,877	9,008,239

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.

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	
	2018	**2017**
	$	**$**
Cash at bank	1,665,419	174,353

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.

Note 8. Current assets - trade and other receivables

	Consolidated	
	2018 $	2017 $
Other receivables	865	-
GST receivable	10,584	14,870
	11,449	14,870

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

Accounting policy for trade and other receivables
Other receivables are recognised at amortised cost, less any provision for impairment.

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

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

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

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

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

	Consolidated	
	2018 $	2017 $
Investment in Emperor Energy Limited (formerly Oil Basins Limited)	3,900	3,900
Investment in Raven Energy Limited (formerly Magnum Gas and Power Limited)	-	20,000
	3,900	23,900

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

	2018 $	2017 $
Opening fair value	23,900	67,800
Impairment of investments	(20,000)	(43,900)
Closing fair value	3,900	23,900

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

The consolidated entity currently holds 20,000,000 fully paid ordinary shares in Raven Energy Limited (ASX:REL) (formerly Magnum Gas and Power Limited (ASX: MPE)). On 13 April 2018 REL extended its voluntary suspension pending the divestment of its Botswana assets and negotiations regarding a strategic acquisition. Given the consolidated entity's uncertainty surrounding the realisable amount of the investment in REL, management has impaired the carrying value in full at 30 June 2018.

The consolidated entity currently holds 1,300,000 fully paid ordinary shares in Emperor Energy Limited (ASX: EMP) (formerly Oil Basins Limited (ASX: OBL)).

On 17 November 2015, Quantum Graphite Limited (ASX: QGL) announced that the consolidated entity's securities will be placed into a voluntary suspension subject to completion of a capital raising. As at the date of this report QGL's securities remained in suspension. On 18 July 2016 QGL appointed a Voluntary Administrator. In a letter to shareholders on 18 November 2016 QGL noted that a replacement board had been appointed, a Creditors deed of trust had been entered into, the company would change its name to Quantum Graphite Limited (ASX: QGL) and a shareholder meeting would be held to vote on the recapitalising of the of the company. That meeting was held on 18 December 2017. Based on QGL remaining in Administration, management has continued to carry the QGL investment at Nil at 30 June 2018.

During the year the consolidated entity undertook a number of actions to protect the interests in QGL. This included an attempted requisition for a general meeting of shareholders and an application to the Takeovers Panel. Unfortunately, these actions were not successful.

Investments in EMP, QGL and REL held by the consolidated entity at fair value are valued in accordance AASB 13, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair values of the financial assets held have been determined by reference to the quoted price on the ASX at 30 June 2018 and 30 June 2017 (The QGL investment was valued according to quoted prices at 30 June 2015 but was impaired in full at 30 June 2016 as mentioned above and in addition the investment in REL has been impaired in full as noted above).

The consolidated entity's investment in Ionic Industries Limited has 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.

The company value cannot yet be reliably determined with reference to an "Active Market" nor reference to any independent valuation of the Intellectual Property held by Ionic Industries. 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.

Ionic completed a capital raising at $0.04 however based on there been no active market management has continued to carry the investment at Nil.

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

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

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

Note 10. Non-current assets - exploration and evaluation

	Consolidated 2018 $	Consolidated 2017 $
Exploration and evaluation - at cost	576,610	378,364

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 2016	100,695
Expenditure during the year	320,930
Exploration expenditure written off	(43,261)
Balance at 30 June 2017	378,364
Expenditure during the year	254,507
Exploration expenditure written off	(56,261)
Balance at 30 June 2018	576,610

A review of the consolidated entity's exploration licenses was undertaken at the end of the financial year and due to the decision to relinquish three licenses and write off of the exploration and evaluation assets as noted above has been booked. The licenses that were relinquished during the year were as follows E70/4797, E70/4797 and EL5010.

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 2018 $	Consolidated 2017 $
Other deposits	23,273	22,592

Interest has accrued on the bank deposit noted above in the amount of $20,000 lodged as security over a credit card facility.

Note 11. Non-current assets - other non-current assets (continued)

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

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

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

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2018 $	2017 $
Trade payables	39,601	52,877
Other payables	25,200	18,484
	64,801	71,361

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			
	2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares - fully paid	840,000,000	404,365,876	31,294,519	29,139,372

Note 13. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2016	348,622,501		28,833,224
Shares issued to Robo 3D Limited (formerly Falcon Minerals Limited) for the acquisition of the Saxby project	18 July 2016	3,000,000	$0.015	45,000
Share placement	6 June 2017	52,743,375	$0.005	263,717
Capital raising costs		-	-	(2,569)
Balance	30 June 2017	404,365,876		29,139,372
Issue of fully paid ordinary shares	3 August 2017	200,000,000	$0.005	1,000,000
Issue of fully paid ordinary shares	31 August 2017	235,634,124	$0.005	1,178,171
Capital raising costs		-	-	(23,024)
Balance	30 June 2018	840,000,000		31,294,519

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

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

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

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's 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 2017 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 2018 $	Consolidated 2017 $
Options reserve	526,073	235,425
Demerger Reserve	(23,848,081)	(23,848,081)
	(23,322,008)	(23,612,656)

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

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

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

Consolidated	Option reserve $	Demerger reserve $	Total $
Balance at 1 July 2016	443,425	(23,848,081)	(23,404,656)
Forfeiture of options	(208,000)	-	(208,000)
Balance at 30 June 2017	235,425	(23,848,081)	(23,612,656)
Share-based payments	290,648	-	290,648
Balance at 30 June 2018	526,073	(23,848,081)	(23,322,008)

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 entities 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.

Note 16. Financial instruments (continued)

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

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

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

	Average price increase		Average price decrease	
Consolidated - 2017	**% change**	**Effect on equity**	**% change**	**Effect on equity**
Shares in Listed Entities	50%	11,950	50%	(11,950)

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

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

	2018		2017	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash at bank and in hand	1.30%	1,665,419	1.40%	174,353
Net exposure to cash flow interest rate risk		1,665,419		174,353

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash at bank for the 2017 and 2018 financial years. The impact would not be material on bank balances held at 30 June 2018. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

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

	Basis points increase			Basis points decrease		
Consolidated - 2017	**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	872	872	50	(872)	(872)

Note 16. Financial instruments (continued)

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.

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.

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
Mr S Rechner (Executive Chairman) (appointed as Executive Chairman 10 October 2017)
Mr H Kaplan (Non-Executive Director) (appointed 10 October 2017)
Dr D DeTata (Non-Executive Director) (appointed 11 October 2017)
Mr P Armitage (Non-Executive Director) (resigned 10 October 2017)
Mr A Rechner (Technical Director) (resigned 11 October 2017)

Other key management personnel
During the year Ms M Leydin was no longer considered a member of Key Management Personnel.

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

	Consolidated	
	2018 $	2017 $
Short-term employee benefits	335,877	435,897
Post-employment benefits	11,271	11,236
Share-based payments	290,648	-
	637,796	447,133

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	
	2018 $	2017 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	32,500	32,500

Note 19. Commitments

	Consolidated	
	2018	2017
	$	$
Exploration Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	581,732	625,623
One to five years	260,000	-
	841,732	625,623

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.

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
Transactions with Directors or Director Related Entities

During the year the company made payments to Diplomatic Exploration Pty Ltd, a related entity of Mr Stuart Rechner. The entity provided Exploration services to the company throughout the year. All disclosures relating to the services mentioned above have been set out in the remuneration report within the Directors' report.

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

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

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

Note 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 2018 $	Parent 2017 $
Loss after income tax	(766,257)	(514,637)
Total comprehensive income	(766,257)	(514,637)

Statement of financial position

	Parent 2018 $	Parent 2017 $
Total current assets	1,687,596	197,303
Total assets	2,291,394	622,174
Total current liabilities	64,801	74,670
Total liabilities	64,801	75,119
Equity		
Issued capital	31,294,520	29,139,373
Options reserve	526,073	235,425
Accumulated losses	(29,594,000)	(28,827,743)
Total equity	2,226,593	547,055

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 2017 and 2018.

Contingent liabilities
The parent entity had no contingent liabilities as at 2017 and 2018.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 2017 and 2018.

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 2018 %	Ownership interest 2017 %
Strategic Nickel Pty Ltd	Australia	100%	100%
Strategic Sands Pty Ltd	Australia	100%	100%

Note 23. Events after the reporting period

On 7 August 2018, the consolidated entity announced that it would undertake a placement to issue 60,000,000 fully paid ordinary shares at an issue price of $0.005 (0.5 cents) per share to raise $300,000 (before costs). Included in this placement will be an issue of shares to Directors subject to shareholder approval at the company's 2018 Annual General Meeting.

No other matter or circumstance has arisen since 30 June 2018 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 24. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2018 $	Consolidated 2017 $
Loss after income tax expense for the year	(766,260)	(514,637)
Adjustments for:		
Impairment of investments	20,000	43,900
Share-based payments	290,648	-
Exploration costs written off	56,261	43,261
Change in operating assets and liabilities:		
Decrease in trade and other receivables	2,739	584
Increase in prepayments	(2,645)	(2,137)
Decrease in trade and other payables	(10,318)	(65,537)
Increase in employee benefits	-	3,758
Net cash used in operating activities	(409,575)	(490,808)

Note 25. Loss per share

	Consolidated 2018 $	Consolidated 2017 $
Loss after income tax attributable to the owners of Strategic Energy Resources Limited	(766,260)	(514,637)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	781,344,341	354,589,189
Weighted average number of ordinary shares used in calculating diluted earnings per share	781,344,341	354,589,189

Note 25. Loss per share (continued)

	Cents	Cents
Basic loss earnings per share	(0.098)	(0.145)
Diluted loss earnings per share	(0.098)	(0.145)

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 2018, the consolidated entity had 84,000,000 unlisted options on issue:
- 21,500,000 unlisted options on issue, exercisable at $0.0232 (2.32 cents) per option expiring on or before 30 April 2019; and
- 62,500,000 unlisted options on issue, exercisable at $0.01 (1 cent) per option expiring on or before 28 November 2020.

These options have not been included in the above calculation as explained above.

Accounting policy for earnings per share

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

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

Note 26. Share-based payments

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

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
04/05/2016	30/04/2019	$0.0232	21,500,000	-	-	-	21,500,000
27/11/2017	28/11/2020	$0.01	-	62,500,000	-	-	62,500,000
			21,500,000	62,500,000	-	-	84,000,000
Weighted average exercise price			$0.2320	$0.01	$0.00	$0.00	$0.013

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
30/10/2013	25/12/2016	$0.0232	13,000,000	-	-	(13,000,000)	-
04/05/2016	30/04/2019	$0.0232	21,500,000	-	-	-	21,500,000
			34,500,000	-	-	(13,000,000)	21,500,000
Weighted average exercise price			$0.0232	$0.00	$0.00	$0.0232	$0.0232

Note 26. Share-based payments (continued)

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

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

For the options granted during the 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

A total of 62,500,000 options were granted to Directors during the period, all of which vested immediately. The total share based payment booked during the period amounted to $290,648.

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

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

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

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

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

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

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

Note 26. Share-based payments (continued)

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

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

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

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 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

8 August 2018
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), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 Company incurred a net loss of $766,260 during the year ended 30 June 2018, and as of that date, the Company's current assets exceeded its current liabilities by $1,622,809. 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 Company'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 2018 the carrying value of Exploration and Evaluation Assets was $576,610. During the year management recognised an impairment loss amounting to $56,261. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the company 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 valuation of exploration and evaluation assets being a significant risk.	Our procedures included, amongst others: • Assessing the accuracy of impairment recorded by determining if: o Tenements had been relinquished; o Tenements had not had any expenditure incurred since the prior period; o Tenements were planned to be relinquished in the future; and o Tenements did not have any budgeted expenditure in the forecast period. • Conducting a detailed review of management's assessment of impairment indicators in line with AASB 6 and whether tenements considered to be feasible and or active; • Evaluating the accuracy of capitalised costs by substantively testing a sample of additions during the year and ensuring they could be capitalised under AASB 6; • Assessing the appropriateness and uniformity of the accounting policies for Exploration & Evaluation Expenditure with the prior period and the requirements under AASB 6; and • Reviewing exploration tenements to determine whether they exist and that the Company has current ownership rights to these.

Grant Thornton

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 Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Strategic Energy Resources Limited, for the year ended 30 June 2018, 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, 8 August 2018

Strategic Energy Resources Limited
Shareholder information
30 June 2018

The shareholder information set out below was applicable as at 7 August 2018.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of unlisted options
1 to 1,000	127	-
1,001 to 5,000	76	-
5,001 to 10,000	148	-
10,001 to 100,000	1,224	-
100,001 and over	537	7
	2,112	7
Holding less than a marketable parcel	1,456	-

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
Pillage Investments Pty Ltd	85,000,000	10.12
Omen Pty Ltd	64,011,734	7.62
Kslcorp Pty Ltd	30,500,000	3.63
Mr Nicolas Terranova	30,000,000	3.57
E E R C Australasia Pty Ltd (Super Fund A/C)	30,000,000	3.57
Newfound Investments Pty Ltd	20,000,000	2.38
Mr James Peter Allchurch	20,000,000	2.38
Cabletime Pty Ltd	20,000,000	2.38
Comsec Nominees Pty Limited	18,934,571	2.25
Inkjar Pty Ltd	14,759,746	1.76
Tisia Nominees Pty Ltd	13,000,000	1.55
Mr Mark Anthony Muzzin	12,000,000	1.43
JP Morgan Nominees Australia Limited	11,374,457	1.35
Netshare Nominees Pty Ltd	10,879,740	1.30
Muncha Cruncha Pty Ltd	10,000,000	1.19
Osmium Holdings Pty Ltd	10,000,000	1.19
Mr Kevin John Cairns & Mrs Catherine Valerie Cairns	10,000,000	1.19
1215 Capital Pty Ltd	10,000,000	1.19
1202 Management Pty Ltd	10,000,000	1.19
CH2 Investments Pty Ltd	7,000,000	0.83
	437,460,248	52.07

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	84,000,000	7

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Pillage Investments Pty Ltd	85,000,000	10.12
Omen Pty Ltd	64,011,734	7.62

Voting rights

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

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

Tenements

Description	Tenement number	Interest owned %
Myall Creek - South Australia	EL6140	100
Roopena - South Australia	EL5898	100
Saxby - Queensland	EPM15398	100
Ambergate - Western Australia	E70/4793	100
Bullant - Western Australia	E70/4805	100
Beenup West - Western Australia	E70/4807	100
Beenup East - Western Australia	E70/4874	100
Ambergate West - Western Australia	E70/5012	100