

20 September 2022

Dale Wang
ASX Compliance Pty Limited
Level 4, North Tower, 525 Collins Street
Melbourne VIC 3000

By email only: dale.wang@asx.com.au

Dear Dale,

RESPONSE TO ANNUAL REPORT QUERY LETTER (REFERENCE: ODIN49428)

We refer to your query letter dated 15 September 2022 and respond as follows:

- 1. Is SER able to confirm that in the Directors' Opinion the Annual Report:
(a) complies with the relevant Accounting Standards; and
(b) gives a true and fair view of SER's financial performance and position for the financial year ended 30 June 2022?**

Yes, it is the Directors' opinion that the Annual Report complies with both (a) and (b) above.

- 2. Please explain the basis for and the factors considered by the Directors to satisfy themselves that the carrying value ascribed to the Ionic Industries investment (being \$654,000) included in the Annual Report is appropriate?**

Ionic Industries Limited ("Ionic") is an unlisted public company in which SER holds 87,155,625 shares. SER's holding in Ionic was valued at \$654,000 in December 2020 using Level 2 measurement principles from the fair value hierarchy. Level 2 assets are financial assets that do not have regular market pricing but whose fair value can be determined based on other data values or market prices. Specifically, in the case of Ionic, this was by reference to a material capital raising completed on an arm's length basis at the valuation date. This valuation methodology was supported by SER's Auditor, Grant Thornton, for inclusion in SER's Annual Report to 30 June 2021 and Half Year Financial Report to 31 December 2021.

As there were no additional observable price inputs during the remainder of the 2022 financial year, the Company's management prepared an assessment paper to the Company's Board of directors for consideration which was subsequently approved at the Company's Board meeting. The basis and factors considered within the assessment paper by the Board in assessing the valuation of its investment in Ionic were as follows:

1. Accounting Standards with regards to Fair Value Measurement under AASB 13;
2. The last material liquidity event of Ionic, which was a capital raising completed during December 2020 at a value of \$0.0075 (0.75 cents) which formed the value of \$654,000 (for SER's 87,155,625 shares);
3. Review of the development of Ionic's business since the December 2020 capital raising through publicly available information and discussions with Ionic's management team which includes several material milestones such as the acquisition of assets from Imagine Intelligent Materials Limited (<https://ionicindustries.com.au/australias-next-graphene-technology-powerhouse/>);
4. Based on the judgement of continued growth and progress of Ionic, management and the Board determined that in the lack of another material liquidity event such as a capital raising or IPO, that the valuation from December 2020 was most appropriate; and

5. SER also downgraded this investment from Level 2 to Level 3 of the fair valuation hierarchy with regards to AASB 13.

3. What steps does SER intend to take to obtain an unmodified audit opinion with regards to its future financial statements?

The Company will continue to monitor its investment in Ionic Industries Limited. The Directors and management (in conjunction with its auditors) will continue to assess the available information in order to form a view of the valuation going forward. A future liquidity event, will enable a supportable valuation. Should uncertainty over Ionic's value remain, SER proposes to update the value of its investment in Ionic, adopting a conservative approach to valuation.

The Company draws the attention to the fact that holding of the investment in Ionic is not a core asset to SER's business as an exploration Company, nor is its going concern dependent on it.

4. Given the Material Uncertainty Related to Going Concern, included in the Auditor's Report, does SER consider that the financial condition of SER is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.

Yes. The Board continues to monitor the Company's cashflow forecasts to ensure that the Company has sufficient resources to meet its business objectives. Subsequent to the date of the Report, the Company undertook a capital raising of \$875,000 during August 2022 through its existing shareholders and continues to monitor the requirement to raise further working capital as required. The Company has a strong track record of raising capital and the Directors are confident about the Company's ability to raise additional capital in the future as and when needed. The Company can also vary its work programs and other expenditure in accordance with the Company's financial resources available as and when required. In addition, the Company holds liquid investments which it has and continues to liquidate as and when required.

Based on the above, the Directors are satisfied that SER's financial condition is sufficient to warrant continued listing pursuant to Listing Rule 12.2.

5. If the answer to question 4 is "No", please explain what steps SER has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.

Not Applicable

6. In relation to the Annual Report, did the Board receive the CFO and CEO declaration, as described in section 4.2 of SER's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of SER have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SER and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?

Yes, The Board received a Management Declaration as described in section 4.2 of SER's Corporate Governance Statement, signed by the Managing Director, David DeTata and the Company Secretary, Mathew Watkins. SER's corporate governance statement confirms that the Management Declaration was given by the Managing Director (being the equivalent of CEO) and the Company Secretary (being the equivalent of CFO).

7. If the answer to question 6 is "No", why did the Board not receive the CEO and CFO declaration as described in section 4.2 of SER's Corporate Governance Disclosure?

Not Applicable

- 8. What enquiries did the Board make of management to satisfy itself that the financial records of SER have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SER?**

The Board is provided regular updates regarding the Company's financial records and discusses them with management to ensure they have transparent oversight and therefore can make informed decisions about the Company's current and future financial position. All significant expenditure is approved by the Board. The Company's finance team oversees the financial functions in conjunction with management to ensure it has appropriate levels of internal controls and segregation of duties.

- 9. Commenting specifically on the qualified opinion, does the board consider that SER has a sound system of risk management and internal control which is operating effectively?**

Yes, the Board considers financial and operational risks at every Board meeting. Due to the current size of the Company and Board, the Board performs the functions of the Audit & Risk Committee, in accordance the Audit & Risk Committee Charter. The Board closely monitors the integrity of corporate records by regularly engaging with management on such matters. There are controls in place over expenditure and investment with all significant items requiring Board approval.

The Company draws the attention to the qualified audit opinion and notes that it only relates to the valuation of Ionic and does not apply to any other item within the 30 June 2022 Annual Report.

- 10. Please confirm that SER is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

SER confirms that it is complying with the Listing Rules and, in particular, Listing Rule 3.1.

- 11. Please confirm that SER's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of SER with delegated authority from the board to respond to ASX on disclosure matters.**

Yes, responses have been authorised by the Board.

Please do not hesitate to contact me if you have any questions or would like to discuss any of the matters listed above.

Yours sincerely,



Mathew Watkins
Company Secretary
Strategic Energy Resources Limited



15 September 2022

Reference: ODIN59428

Mr Mathew Watkins
Company Secretary
Strategic Energy Resources Limited
Level 4, 100 Albert Road
South Melbourne, VIC 3205

By email: Mathew.Watkins@vistra.com

Dear Mr Watkins

Strategic Energy Resources Limited ('SER'): Annual Report - Query

ASX refers to the following:

- A. SER's annual report for the year ended 30 June 2022 lodged with ASX Market Announcements Platform and released on 7 September 2022 ('Annual Report').
- B. ASX notes that the Independent Auditor's Report attached to the Annual Report ('Auditor's Report') contains a qualified opinion together with the Basis for qualified opinion:

"Included within Note 9 of the financial report, the Consolidated Entity continues to value its investment in unlisted public company Ionic Industries Limited at an amount of \$654,000. Due to the lack of information available in the current period as outlined in Note 9, we have been unable to obtain sufficient appropriate audit evidence to support the valuation of this level 3 investment under AASB 13 Fair Value Measurement as at 30 June 2022."

- C. ASX also notes that the Auditor's Report contains a material uncertainty related to going concern paragraph as set out below:

"We draw attention to Note 2 in the financial statement, which indicates that the Consolidated Entity made a loss after tax of \$755,736 and had net operating cash outflows of \$516,262 and net investing cash outflows of \$2,212,275 for the year ended 30 June 2022. 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." ('Material Uncertainty Related to Going Concern').

- D. SER's Corporate Governance Statement for 2022 lodged on the ASX Market Announcements Platform on 7 September 2022 which provides confirmation that SER complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively."

- E. Listing Rule 12.1 which states:

12.1 *The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued +quotation of the entity's +securities and its continued listing.*

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F. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

G. Listing Rule 19.11A which states:

19.11A If a listing rule requires an entity to give ASX accounts, the following rules apply.

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the accounts must be consolidated accounts.*
- (b) The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.*
- (c) If the listing rule requires audited accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*
- (d) If the listing rule requires accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a foreign entity, an overseas equivalent of a registered company auditor).*
- (e) If there is a directors' declaration that relates to the accounts, the directors' declaration must be given to ASX with the accounts.*
- (f) If there is a directors' report that relates to the period covered by the accounts, the directors' report must be given to ASX with the accounts.*

Request for information

In light of the information contained in the Annual Report and the Auditor's Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is SER able to confirm that in the Directors' Opinion the Annual Report:
 - (a) complies with the relevant Accounting Standards; and
 - (b) gives a true and fair view of SER's financial performance and position for the financial year ended 30 June 2022?
2. Please explain the basis for and the factors considered by the Directors to satisfy themselves that the carrying value ascribed to the Ionic Industries investment (being \$654,000) included in the Annual Report is appropriate?
3. What steps does SER intend to take to obtain an unmodified audit opinion with regards to its future financial statements?
4. Given the Material Uncertainty Related to Going Concern, included in the Auditor's Report, does SER consider that the financial condition of SER is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.

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5. If the answer to question 4 is “No”, please explain what steps SER has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.
 6. In relation to the Annual Report, did the Board receive the CFO and CEO declaration, as described in section 4.2 of SER’s Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of SER have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SER and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
 7. If the answer to question 6 is “No”, why did the Board not receive the CEO and CFO declaration as described in section 4.2 of SER’s Corporate Governance Disclosure?
 8. What enquiries did the Board make of management to satisfy itself that the financial records of SER have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SER?
 9. Commenting specifically on the qualified opinion, does the board consider that SER has a sound system of risk management and internal control which is operating effectively?
 10. Please confirm that SER is complying with the Listing Rules and, in particular, Listing Rule 3.1.
 11. Please confirm that SER’s responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of SER with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9 AM AEST Friday, 23 September 2022**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SER’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require SER to request a trading halt immediately.

Your response should be sent to me by e-mail at ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SER’s securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in SER's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to SER's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that SER's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Regards

Dale Wang
Adviser, Listings Compliance (Melbourne)