

Strategic Energy Resources Limited

ABN 14 051 212 429

Half-year Financial Report - 31 December 2022

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Strategic Energy Resources Limited
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31 December 2022



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Directors

Mr Stuart Rechner - Executive Chair
Dr David DeTata - Managing Director
Mr Anthony McIntosh - Non-Executive Director

Company secretary

Mr Mathew Watkins

Registered office and principal
place of business

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South Melbourne VIC 3205
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Fax: 03 9077 9233

Share register

Link Market Services Limited
Tower 4, 727 Collins Street
Melbourne, VIC 3008
Ph: 1300 554 474

Auditor

Grant Thornton Audit Pty Ltd
Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000

Stock exchange listing

Strategic Energy Resources Limited shares are listed on the Australian Securities
Exchange (ASX code: SER)

Website

www.strategicenergy.com.au

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity' / 'Group') consisting of Strategic Energy Resources Limited (referred to hereafter as the 'Company', 'SER' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2022.

Directors

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

Mr Stuart Rechner - Executive Chair
Dr David DeTata - Managing Director
Mr Anthony McIntosh - Non-Executive Director

Principal activities

Strategic Energy Resources Ltd is a specialised undercover mineral explorer and project generator focused on discovery in greenfield frontiers of Australia. During the period principal continuing activities of the Consolidated Entity consisted of exploration for minerals in Australia.

Dividends

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

Review of financial results

The loss for the Consolidated Entity after providing for income tax amounted to \$240,794 (31 December 2021: \$135,288).

The net assets of the Consolidated Entity increased by \$715,065 to \$6,026,289 as at 31 December 2022 (30 June 2022: \$5,311,224). The Consolidated Entity had net cash inflows from operating activities for the period of \$19,033 (31 December 2021 net cash outflows: \$287,022). Working capital, being current assets less current liabilities, increased by \$321,388 to \$803,536 (30 June 2022: \$482,148).

Review of operations

SER's goal is the discovery of major copper-gold deposits which we pursue as a specialised undercover mineral explorer and project generator. During the half-year period ended in December 2022, the Company continued to execute our strategy of "Discovery via Drilling" and "Discovery via Partnership".

At our **Canobie Project** in northwest Queensland, SER completed an additional gravity survey to map the geometry of dense mafic intrusions and identify suitable sub-horizontal trap sites for massive sulphide mineralisation. Subsequent inversion modelling of the gravity data identified a narrow, tube-like north-south striking intrusion, possibly indicative of a chonolith which are known to host world-class nickel-copper mineral deposits. Magnetic attribute processing was also conducted to understand the potential sources of the remanent magnetic responses across the Canobie Project. The study identified clusters of point targets representing magnetic remanence which could be sourced from monoclinic pyrrhotite which can be common in sulphide mineral deposits. Most of the magnetic vector targets are coincident with the interpreted chonolith, producing a compelling target. SER looks forward to updating shareholders on plans for drill testing at the Canobie Project in the near future.

In September 2022, SER reached agreement with Evolution Mining Limited ("**Evolution**") for a 2-year Option to purchase our two **Cowal Projects** for an upfront non-refundable consideration of \$300,000, with a purchase price of \$1M per tenement. Evolution have since chosen not to exercise their Option over one tenement and have indicated that 2023 exploration activities over the remaining tenement may include drilling and/or additional geophysics.

In December 2022, three years after the signing of a Farm-in Joint Venture with Fortescue Metals Group Ltd ("**Fortescue**") at **Myall Creek**, a Native Title Agreement was signed, clearing the way for Fortescue to embark on a detailed gravity survey. The results of the survey will be used to model basement hosted Iron Oxide Copper-Gold (IOCG) style anomalies for drill testing.

SER was awarded a second NSW co-funding grant in December to complete a magnetotellurics (MT) survey at our recently pegged **Mundi** Copper-Gold Project located 155km north of Broken Hill. The grant will be used to acquire 95 broadband MT stations to aid our search for structurally controlled IOCG mineralisation within 500m of surface.

Plans to drill test the Achilles 1 Prospect at our **South Cobar** Copper-Gold project were delayed due to extreme weather events in Central West NSW. In January 2023 a site visit was completed, and earthworks undertaken in preparation for the co-funded diamond drill program which is expected to be completed in the first half of 2023 calendar year.

In addition to the above highlights, SER also:

- Executed further landholder agreement at **Isa North** Copper-Gold Project
- Raised \$875,000 by Share Placement from existing shareholders during the period.

SER intends to undertake exciting drill programs at both Canobie and South Cobar this year. Simultaneously, we will continue to advance our Isa North and East Tennant projects with follow-up geophysical surveys and drill targeting.

The SER team would like to thank our shareholders for their continual support in our search for Australia's next major discovery

Risks and Uncertainties

The Company is subject to both risks specific to the Company and the Company's business activities, as well as general risks.

Future funding risks

The Company is involved in exploration for minerals in Australia and yet to generate revenues. The Company has a cash and cash equivalents balance of \$872,319 and net assets of \$6,026,289. The Company may require substantial additional financing in the future to sufficiently fund exploration commitments and its other longer-term objectives.

As the Company is still in the early stages of exploration development it has the ability to control the level of its operations and hence the level of its expenditure over the next 12 months. However, the Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally. If for any reason the Company was unable to raise future funds, its ability to meet the exploration commitments and future development would be significantly affected.

The Directors regularly review the spending pattern and ability to raise additional funding to ensure the Company's ability to generate sufficient cash inflows to settle its creditors and other liabilities.

Environmental and social risks

The Consolidated Entity holds participating interests in a number of exploration tenements across Australia. The various authorities granting such tenements require the Company to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. The long-term viability of the Company is closely associated to the wellbeing of the communities and environments in which the Company conduct operations. At any stage of the asset life cycle, the Company's operations and activities may have or be seen to have significant adverse impacts on communities and environments. In these circumstances, the Company may fail to meet the evolving expectations of our stakeholders (including investors, governments, employees, suppliers, customers and community members) whose support is needed to realise our strategy and purpose. This could lead to loss of stakeholder support or regulatory approvals, increased taxes and regulation, enforcement action, litigation or class actions, or otherwise impact our licence to operate and adversely affect our reputation, fund raising capability, ability to attract and retain talent, operational continuity and financial performance.

Dependence on service providers and third-party collaborators

There is no guarantee that the Company will be able to find suitable third-party providers and third-party collaborators to complete the exploration work. The Company therefore is exposed to the risk that any of these parties can experience problems related to operations, financial strength or other issues, and collaborative agreements may be terminable by the Company's partners. Non-performance, suspension or termination of relevant agreements could negatively impact the progress or success of the Company's exploration efforts, financial condition and results of operations.

The COVID-19 pandemic created particular risks and challenges for the Company, which outsources activities, as operational progress may be slowed or arrested as jurisdictions and suppliers respond to differing conditions. The Company monitors commercial developments and engages proactively with key stakeholders to manage this risk.

Reliance on key personnel

The Company's success depends to a significant extent upon its key management personnel, as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of such personnel or the reduced ability to recruit additional personnel could have an adverse effect on the performance of the Company.

The Company maintains a mixture of permanent staff and expert consultants to advance its programs and ensure access to multiple skill sets. The Company, through the Remuneration and Nomination Committee (or in its absence the Board) reviews remunerations to human resources regularly.

IT system failure and cyber security risks

Any information technology system is potentially vulnerable to interruption and/or damage from a number of sources, including but not limited to computer viruses, cyber security attacks and other security breaches, power, systems, internet and data network failures, and natural disasters.

The Company is committed to preventing and reducing cyber security risks. IT services are outsourced to a reputable third-party services provider and in addition, the Company has an insurance policy covering IT and cyber security matters.

Exploration Risk

Mineral exploration and development is a speculative and high-risk undertaking that may be impeded by circumstances and factors beyond the control of the Company. Success in this process involves, among other things:

- securing and maintaining title to mineral exploration projects;
- discovery and proving up, or acquiring, an economically recoverable resource or reserve;

- access to adequate capital throughout the acquisition/discovery and project development phases;
- obtaining required development consents and approvals necessary for the acquisition, mineral exploitation, development, and production phases; and
- accessing the necessary experienced operational staff, the applicable financial management and recruiting skilled contractors, consultants, and employees.

There can be no assurance that exploration on the Company's projects, or any other exploration properties that may be acquired in the future, will result in the discovery of an economic mineral resource. Even if an apparently viable mineral resource is identified, there is no guarantee that it can be economically exploited. The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, changing government regulations and many other factors beyond the control of the Company. The Company is entirely dependent upon its projects, which are the sole potential source of future revenue, and any adverse development affecting these projects would have a material adverse effect on the Group, its business, prospects, results of operations and financial condition.

Grant of future authorisations to explore and mine

If the Company discovers an economically viable mineral deposit that it then intends to develop, it will, among other things, require various approvals, licences and permits before it will be able to mine the deposit. There is no guarantee that the Company will be able to obtain all required approvals, licences and permits. To the extent that required authorisations are not obtained or are delayed, the Company's operational and financial performance may be materially adversely affected.

Resource and reserve estimates

Whilst the Company intends to undertake exploration activities with the aim of defining new resources, no assurances can be given that the exploration will result in the determination of a resource. Even if a resource is identified, no assurance can be provided that this can be economically extracted. Resource and reserve estimates are expressions of judgement based on knowledge, experience, and industry practice. Estimates which were valid when initially calculated may alter significantly when new information or techniques become available or commodity prices change. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretation which may prove to be inaccurate.

Future profitability

The Company is in the growth stage of its development and is currently making losses. The Company's performance will be impacted by, among other things, the success of its exploration activities, economic conditions in the markets in which it operates, competition factors and any regulatory developments. Accordingly, the extent of future profits (if any) and the time required to achieve sustained profitability are uncertain and cannot be reliably predicted.

Significant changes in the state of affairs

On 15 August 2022, the Consolidated Entity announced that it has raised \$875,000 by way of a placement where it would issue 51,470,589 fully paid ordinary shares at an issue price of \$0.017 (1.7 cents) per Share to be issued to professional, sophisticated and other exempt investors. Directors participated in the Placement and subscribed for a total of 12,000,000 fully paid ordinary shares. On 18 August 2022, the Company completed tranche one of the Placement issuing 39,470,589 fully paid ordinary shares.

On 18 August 2022, the Company issued 2,633,333 fully paid ordinary shares at nil consideration in relation to the exercise of Options that were issued to Directors and Employees in the prior years.

On 26 September 2022, the Company signed an Option Agreement with Evolution Mining Limited (ASX: EVN or Evolution) for a 2-year Option to purchase EL9057 and EL9368 (Tenements) which are located nearby to Evolution's operating Cowal Gold Mine. Evolution has a 2-year Option to purchase a 100% interest in EL9057 and/or EL9368 Tenement and associated information from SER. During the Option period, EVN will be required to keep the tenements in good standing. The purchase consideration for the 2-year Option period is \$300,000 which was received in October 2023. The Option period can be extended for a third year for either Tenement for the consideration of \$100,000 cash per tenement.

On 30 November 2022, the Company issued 19,500,000 Unlisted Options to directors and employees, at Nil exercise price, expiring on 30 November 2025, subject to various vesting conditions.

On 20 December 2022, the Company announced that Evolution has completed the reviews of the Cowal Projects and subsequently provided notification of withdrawal from the Option Agreement with respect to EL9057. At the date of this report, Evolution continues to progress an assessment of historical datasets covering EL9368.

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

Matters subsequent to the end of the financial period

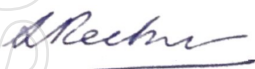
No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Auditor's independence declaration

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

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

On behalf of the Directors



Mr Stuart Rechner
Executive Chair

14 March 2023

Grant Thornton Audit Pty Ltd
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PO Box 7757
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Auditor's Independence Declaration

To the Directors of Strategic Energy Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Strategic Energy Resources Limited for the year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J C Esterhuizen
Partner – Audit & Assurance

Perth, 14 March 2023

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Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2022



		Consolidated	
	Note	31 December 2022	31 December 2021
		\$	\$
Other income	4	300,000	280,067
Interest income		3,027	285
Expenses			
Employee benefits expense		(73,408)	(66,147)
Share based payments	17	(77,500)	(109,133)
Corporate expenses		(154,939)	(150,203)
Impairment of exploration and evaluation assets	7	(164,982)	-
Other expenses		(49,458)	(18,111)
Tenement due diligence and other exploration expenses		(23,534)	(72,046)
Loss before income tax expense		(240,794)	(135,288)
Income tax expense		-	-
Loss after income tax expense for the period attributable to the Owners of Strategic Energy Resources Limited		(240,794)	(135,288)
Other comprehensive income			
<i>Items that will not subsequently be transferred to profit or loss</i>			
(Loss) / gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax	6	3,359	50,188
Other comprehensive income for the period, net of tax		3,359	50,188
Total comprehensive income for the period attributable to the Owners of Strategic Energy Resources Limited		(237,435)	(85,100)
		Cents	Cents
Basic earnings per share	16	(0.11)	(0.07)
Diluted earnings per share	16	(0.11)	(0.07)

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

Strategic Energy Resources Limited
Statement of financial position
As at 31 December 2022



		Consolidated	
	Note	31 December	30 June 2022
		2022	2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		872,319	604,809
Other receivables		11,531	8,160
Prepayments		57,319	22,335
		<u>941,169</u>	<u>635,304</u>
Non-current assets classified as held for sale	5	16,967	-
Total current assets		<u>958,136</u>	<u>635,304</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	6	760,190	802,756
Property, plant and equipment		4,225	5,710
Exploration and evaluation assets	7	4,305,360	3,898,132
Other non-current assets		152,978	122,478
Total non-current assets		<u>5,222,753</u>	<u>4,829,076</u>
Total assets		<u>6,180,889</u>	<u>5,464,380</u>
Liabilities			
Current liabilities			
Trade and other payables		110,829	123,396
Employee provisions		43,771	29,760
Total current liabilities		<u>154,600</u>	<u>153,156</u>
Total liabilities		<u>154,600</u>	<u>153,156</u>
Net assets		<u>6,026,289</u>	<u>5,311,224</u>
Equity			
Issued capital	8	38,370,001	37,438,128
Reserves	9	969,857	1,063,695
Accumulated losses		(33,313,569)	(33,190,599)
Total equity		<u>6,026,289</u>	<u>5,311,224</u>

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

Strategic Energy Resources Limited
Statement of changes in equity
For the period ended 31 December 2022



Consolidated	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	36,181,482	1,056,959	(32,442,037)	4,796,404
Loss after income tax expense for the period	-	-	(135,288)	(135,288)
Other comprehensive income for the period, net of tax	-	50,188	-	50,188
Total comprehensive income for the period	-	50,188	(135,288)	(85,100)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,256,646	-	-	1,256,646
Share-based payments (note 17)	-	109,133	-	109,133
Balance at 31 December 2021	<u>37,438,128</u>	<u>1,216,280</u>	<u>(32,577,325)</u>	<u>6,077,083</u>
Consolidated	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	37,438,128	1,063,695	(33,190,599)	5,311,224
Loss after income tax expense for the period	-	-	(240,794)	(240,794)
Other comprehensive income for the period, net of tax	-	3,359	-	3,359
Total comprehensive income for the period	-	3,359	(240,794)	(237,435)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	875,000	-	-	875,000
Share-based payments (note 17)	-	77,500	-	77,500
Issue of shares upon exercise of options	56,873	(56,873)	-	-
Lapse of options	-	(165,323)	165,323	-
Transfers upon disposal of investments	-	47,500	(47,500)	-
Balance at 31 December 2022	<u>38,370,001</u>	<u>969,858</u>	<u>(33,313,570)</u>	<u>6,026,289</u>

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

Strategic Energy Resources Limited
Statement of cash flows
For the period ended 31 December 2022



	Note	Consolidated	
		31 December 2022	31 December 2021
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(322,059)	(308,148)
Research & development incentives		-	29,841
Receipt from sale of 2-year Option to Purchase Cowal Projects		300,000	-
		(22,059)	(278,307)
Interest received		3,026	285
Net cash used in operating activities		(19,033)	(278,022)
Cash flows from investing activities			
Investment in term deposit		(30,000)	-
Payments for equipment		-	(4,104)
Payments for exploration and evaluation		(603,882)	(1,671,592)
Payments for security deposits		(500)	(41,478)
Proceeds from disposal of investments		45,925	68,949
Net cash used in investing activities		(588,457)	(1,648,225)
Cash flows from financing activities			
Proceeds from issue of shares	8	875,000	1,320,000
Cost of capital raising		-	(79,354)
Net cash from financing activities		875,000	1,240,646
Net increase/(decrease) in cash and cash equivalents		267,510	(685,601)
Cash and cash equivalents at the beginning of the financial period		604,809	2,076,700
Cash and cash equivalents at the end of the financial period		872,319	1,391,099

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

Note 1. General information

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

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

Level 4, 100 Albert Road
South Melbourne, VIC 3205

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 14 March 2023. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

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

Going concern

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

The working capital position as at 31 December 2022 of the Consolidated Entity results in an excess of current assets over current liabilities of \$803,536 (30 June 2022: \$482,148). The Consolidated Entity made a loss after tax of \$240,794 during the half-year ended 31 December 2022 (2021 loss: \$135,288) and had operating & investing cash outflows of \$607,490 (31 December 2021: \$1,926,247). The cash balances as at 31 December 2022 was \$872,319 (30 June 2022: \$604,809). The continuing viability of the Consolidated Entity and its ability to continue as a going concern is dependent upon the Consolidated Entity being successful in its continuing efforts in exploration projects and accessing additional sources of capital to meet the commitments within one year from the date of signing the financial report.

In assessing the appropriateness of the going concern assumption, the directors have considered the Consolidated Entity's successful history of capital raising:

On 15 August 2022, the Consolidated Entity announced that it has raised \$875,000 by way of a placement were it would issue 51,470,589 fully paid ordinary shares at an issue price of \$0.017 (1.7 cents) per Share. On 30 November 2022, the company issued a total of 12,000,000 fully paid ordinary shares (Shares) to Directors of the Company as approved at the Company's Annual General Meeting held on 16 November 2022 at an issue price of \$0.017 (1.7 cents) per Share.

Note 2. Significant accounting policies (continued)

The funds from this capital raising will enable further geophysics and drilling at the Consolidated Entity's exploration projects and general working capital requirements.

The Consolidated Entity is involved in exploration for minerals in Australia. Management has prepared a cash flow forecast using their best estimate assumptions, which includes substantial fund raising requirements from May 2023. To meet these funding requirements as and when they fall due the Consolidated Entity may take appropriate steps, including a combination of:

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

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

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

Note 3. Operating segments

Identification of reportable operating segments

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

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

Revenue by geographical area

All assets and liabilities and operations are based in Australia.

Note 4. Other income

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
R&D tax refund received	-	29,841
Gain from sale of tenements	-	250,226
Income from option to purchase Cowal projects	300,000	-
Other income	<u>300,000</u>	<u>280,067</u>

Note 4. Other income (continued)

Option to sell EL9057 and EL9368 Cowal tenements

On 26 September 2022, the Company and Evolution Mining Limited (ASX: EVN or Evolution) signed an agreement for a 2-year Option to purchase EL9057 and EL9368 (Tenements) which are owned by the Company (located nearby to Evolution's operating Cowal Gold Mine). The purchase consideration for the 2-year Option period is \$300,000 which was received in October 2022 and has been recognized as other income. The Option period can be extended for a third year for either Tenement for the consideration of \$100,000 cash per tenement.

Sale of EL32228 "Benmara"

On 15 December 2020, the Company signed a binding term sheet with Resolution Minerals Ltd (ASX: RML) for a 12-month Option to sell EL32228 (Tenement). RML had a 12-month Option to purchase a 100% interest in the Tenement. RML issued 2,500,000 shares as Consideration to SER for entering into the Option agreement, which is recognised as other income in the income statement. These shares were recognised as other income in the financial statement.

On 11 November 2021, RML exercised its purchase option and elected to make payment via the issue of 13,773,778 shares. The Consolidated Entity recognized these consideration shares through the income statement, at their issue date fair value of \$247,928.

Note 5. Current assets - non-current assets classified as held for sale

	Consolidated	
	31 December	30 June 2022
	2022	2022
	\$	\$
Exploration and evaluation	16,967	-

On 26 September 2022, the Company and Evolution Mining Limited (ASX: EVN or Evolution) signed an agreement for a 2-year Option to purchase EL9057 and EL9368 (Tenements) which are owned by the Company (located nearby to Evolution's operating Cowal Gold Mine). Evolution have since chosen not to exercise their Option over EL9057 at the date of this report continue to conduct further reviews over EL9368. Accordingly, costs associated with EL9368 were classified as asset held for sale at 31 December 2022

Note 6. Non-current assets - Financial assets at fair value through other comprehensive income

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
Equity investments in quoted equity shares	106,190	148,756
Equity investments in Ionic Industries Limited	654,000	654,000
	<u>760,190</u>	<u>802,756</u>
<i>Reconciliation</i>		
Reconciliation of the fair values of the equity investments at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	802,756	857,836
Disposal of investment in Vox Royalty Corp	(25,925)	(179,284)
Disposal of investment in Resolution Minerals Ltd	(20,000)	(13,000)
Additions: Resolution Minerals Ltd	-	247,928
Revaluation decrements Vox Royalty Corp	(641)	54,514
Revaluation increments Resolution Minerals Ltd	4,000	(165,238)
	<u>760,190</u>	<u>802,756</u>
Closing fair value	<u>760,190</u>	<u>802,756</u>

Equity investments which are not held for trading, and which the Consolidated Entity has irrevocably elected at initial recognition to recognise as financial assets at fair value through other comprehensive income.

Refer to note 10 for further information on fair value measurement.

Investments in Vox Royalty Corp (TSXV: VOX)

On 4 August 2022, the Company sold 8,400 remaining shares in VOX for \$25,717 at a loss of \$1,218.

Investments in Resolution Minerals Ltd (ASX: RML)

At the reporting date, the Consolidated Entity hold 14,273,778 ordinary shares in RML, which are recognised at their fair value.

Ionic Industries Limited (Ionic)

The Consolidated Entity holds 87,155,625 shares in Ionic Industries Limited (an unlisted company) 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 material capital raising completed on an arm's length basis at the valuation date.

However, there were no additional observable price inputs during the year ended 30 June 2022 and given the limited information, at 30 June 2022 the Company transferred this investment from Level 2 to Level 3 of fair valuation hierarchy (inputs for the asset or liability that are not based on observable market data (unobservable inputs). There were no changes to the status of this investment's valuation during the and half-year ended 31 December 2022.

Gasfields Limited

The Consolidated Entity currently holds 20,000,000 fully paid ordinary shares in Gasfields Limited, which have been valued at \$Nil. During the year 2021 the ASX delisted GFS from the ASX and therefore management has continued to carry the investment at Nil value as no information to indicate return of value to the investors. There has been no further changes during period ended 31 December 2022.

Note 6. Non-current assets - Financial assets at fair value through other comprehensive income (continued)

Impairment of financial assets

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

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

Note 7. Non-current assets - exploration and evaluation assets

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
Exploration and evaluation assets - at cost	<u>4,305,360</u>	<u>3,898,132</u>

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 and evaluation assets \$
Balance at 1 July 2022	3,898,132
Expenditure during the year	572,210
Impairment of assets	<u>(164,982)</u>
Balance at 31 December 2022	<u>4,305,360</u>

Note 8. Equity - issued capital

	Consolidated			
	31 December 2022	30 June 2022	31 December 2022	30 June 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>296,743,712</u>	<u>242,639,790</u>	<u>38,370,001</u>	<u>37,438,128</u>

Note 8. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$	
Balance	1 July 2022	242,639,790		37,438,128
Option exercise	18 August 2022	2,633,333	\$0.0220	56,873
Issue of fully paid ordinary shares	18 August 2022	39,470,589	\$0.0170	671,000
Issue of fully paid ordinary shares	30 November 2022	<u>12,000,000</u>	\$0.0170	<u>204,000</u>
Balance	31 December 2022	<u>296,743,712</u>		<u>38,370,001</u>

Ordinary shares

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

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

Share buy-back

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

Note 9. Equity - reserves

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
Financial assets at fair value through other comprehensive income reserve	522,457	471,599
Options reserve	<u>447,400</u>	<u>592,096</u>
	<u>969,857</u>	<u>1,063,695</u>

Movements in reserves

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

Consolidated	Options	Financial	Total
	reserve	assets at fair value reserve	
	\$	\$	\$
Balance at 1 July 2022	592,096	471,599	1,063,695
Share based payments	77,500	-	77,500
Lapse of options	(165,323)	-	(165,323)
De-recognition of asset revaluation reserve surplus upon sale of investment	-	47,500	47,500
Net revaluation increments on financial assets at fair value	-	3,358	3,358
Option exercised	<u>(56,873)</u>	-	<u>(56,873)</u>
Balance at 31 December 2022	<u>447,400</u>	<u>522,457</u>	<u>969,857</u>

Note 10. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 December 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Equity investments in quoted equity shares	106,190	-	-	106,190
Equity investments in unquoted equity shares	-	-	654,000	654,000
Total assets	106,190	-	654,000	760,190

Consolidated - 30 June 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Equity investments in quoted equity shares	148,756	-	-	148,756
Equity investments in unquoted equity shares	-	-	654,000	654,000
Total assets	148,756	-	654,000	802,756

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

Valuation techniques for fair value measurements categorised within 2 and level 3

The Consolidated Entity holds 87,155,625 shares in Ionic Industries Limited (an unlisted company) 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 material capital raising completed on an arm's length basis at the valuation date

However, there were no additional observable price inputs during the year ended 30 June 2022 and given the limited information, at 30 June 2022 the Company transferred this investment from Level 2 to Level 3 of fair valuation hierarchy (inputs for the asset or liability that are not based on observable market data (unobservable inputs). There were no changes to the status of this investment's valuation during the and half-year ended 31 December 2022.

Accounting policy for fair value measurement

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 11. Contingent liabilities

The Consolidated Entity had no contingent liabilities at 31 December 2022 and 30 June 2022.

Note 12. Commitments

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
<i>Exploration Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,633,543	1,278,619
Two to five years	4,216,167	4,056,234
	5,849,710	5,334,853

The commitments above represent the minimum spending required for each areas of interest owned by the Consolidated Entity and exclude formed-out exploration interests, which are not managed by the Consolidated Entity.

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 statements as 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 13. Related party transactions

Parent entity

Strategic Energy Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 14.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Payment for goods and services:		
Payment for geological services*	49,896	36,000
Payment for Rent**	4,800	1,600

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

** During the year the Company made payments to Pillage Investments Pty Ltd, a related entity of Mr. David DeTata. The entity provided rental services to the Company and the Consolidated Entity effective November 2021 at market rates.

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 were made on normal commercial terms and conditions and at market rates.

Note 14. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2022 %	30 June 2022 %
Strategic Sands Pty Ltd	Australia	100.00%	100.00%
Strategic Caldera Pty Ltd	Australia	80.00%	80.00%

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 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 16. Earnings per share

	Consolidated	
	31 December 2022 \$	31 December 2021 \$
Loss after income tax attributable to the Owners of Strategic Energy Resources Limited	<u>(240,794)</u>	<u>(135,288)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>216,526,928</u>	<u>193,240,249</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>216,526,928</u>	<u>193,240,249</u>
	Cents	Cents
Basic earnings per share	(0.11)	(0.07)
Diluted earnings per share	(0.11)	(0.07)

Note 17. Share-based payments

On 30 November 2022, the Company issued 19,500,000 unlisted options, at nil exercise price, expiring on 16 November 2025.

The grant of the share options was approved by shareholders at the Annual General Meeting held on 16 November 2022.

The vesting conditions attached to the Options are split between a market-based vesting condition ("Tranche 1") and non-market based vesting conditions ("Tranche 2" and "Tranche 3"), as summarised below:

- Tranche 1 Options are subject to Absolute Total Shareholder Return ("ATSR") which vest based on the Company's share price in the period to 1 July 2023 compared to the Company's June 2022 volume weighted average price ("VWAP"),
- Tranche 2 Options have performance hurdles incorporated for various proportions of each employees' award, with any unvested Options at 1 July 2023 lapsing immediately,; and
- Tranche 3 Options will vest upon the holder remaining a Director of the Company as at 30 June 2023.

Note 17. Share-based payments (continued)

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

**31 December
2022**

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
12/12/2019	12/12/2022	\$0.1000	2,000,000	-	-	(2,000,000)	-
12/08/2020	12/12/2022	\$0.1000	200,000	-	-	(200,000)	-
04/12/2020	04/12/2023	\$0.1000	9,000,000	-	-	-	9,000,000
04/12/2020	12/12/2022	\$0.1000	600,000	-	-	(600,000)	-
30/11/2021	30/11/2024	\$0.0000	6,333,333	-	(2,133,333)	(4,200,000)	-
08/02/2022	30/11/2024	\$0.0000	500,000	-	(500,000)	-	-
30/11/2022	30/11/2025	\$0.0000	-	19,500,000	-	-	19,500,000
			<u>18,633,333</u>	<u>19,500,000</u>	<u>(2,633,333)</u>	<u>(7,000,000)</u>	<u>28,500,000</u>

**31 December
2021**

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
12/12/2019	12/12/2022	\$0.1000	2,000,000	-	-	-	2,000,000
12/08/2020	12/12/2022	\$0.1000	200,000	-	-	-	200,000
04/12/2020	04/12/2023	\$0.1000	9,000,000	-	-	-	9,000,000
04/12/2020	12/12/2022	\$0.1000	600,000	-	-	-	600,000
30/11/2021	30/11/2024	\$0.0000	-	6,333,333	-	-	6,333,333
			<u>11,800,000</u>	<u>6,333,333</u>	<u>-</u>	<u>-</u>	<u>18,133,333</u>

The Consolidated Entity valued the options using either Black-Scholes or Monte-Carlo simulation valuation methodologies, with the following inputs used to determine the fair value for options granted during current and previous period:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
04/12/2020	04/12/2023	\$0.0600	\$0.1000	134.00%	0.11%	\$0.041
16/11/2022	16/11/2025	\$0.2000	\$0.0000	100.00%	3.17%	\$0.012
16/11/2022	16/11/2025	\$0.2000	\$0.0000	100.00%	3.25%	\$0.020

Strategic Energy Resources Limited
Directors' declaration
31 December 2022



In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

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

Mr Stuart Rechner
Executive Chair

14 March 2023

Independent Auditor's Review Report

To the Members of Strategic Energy Resources Limited

Report on the half year financial report

Qualified Conclusion

We have reviewed the accompanying half year financial report of Strategic Energy Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, except for the effects of the matter described in the *Basis for Qualified Conclusion* section, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of Strategic Energy Resources Limited does not:

- a giving a true and fair view of Strategic Energy Resources Limited's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Qualified Conclusion

Included within Note 6 of the half-year 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 6, 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 31 December 2022.

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$240,794 during the half year ended 31 December 2022 and had operating and investing cash outflows of \$607,490. As stated in Note 2, these events or conditions along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J C Esterhuizen
Partner – Audit & Assurance

Perth, 14 March 2023