

Strategic Energy Resources Limited

ABN 14 051 212 429

Annual Report - 30 June 2023

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Strategic Energy Resources Limited
Contents
30 June 2023



Corporate directory	2
Review of Operations	3
Directors' report	4
Auditor's independence declaration	16
Statement of profit or loss and other comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21
Directors' declaration	46
Independent auditor's report to the members of Strategic Energy Resources Limited	47
Shareholder information	51

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Directors	Mr Stuart Rechner - Executive Chairman Dr David DeTata - Managing Director Mr Anthony McIntosh - Non-Executive Director
Company Secretary	Mr Mathew Watkins
Notice of annual general meeting	The Company will hold its Annual General Meeting of shareholders on 16 November 2023.
Registered office and 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 Level 43 Central Park 152-158 St Georges Terrace Perth WA 6000
Stock exchange listing	Strategic Energy Resources Limited securities are listed on the Australian Securities Exchange (ASX code: SER)
Website	www.strategicenergy.com.au
Corporate Governance Statement	Corporate governance statements are available in Group's website. Please refer to https://www.strategicenergy.com.au/corporate-governance/

REVIEW OF OPERATIONS FY2022-23

Exploring for minerals hidden deep under cover rocks is difficult. It is expensive, many traditional techniques do not work, and any discovery must be large and high quality. Nevertheless, SER has made a deliberate choice to focus on this search space as we believe it is where the next generation of giant deposits will be found. We are a specialist undercover explorer and project generator hunting major copper and nickel deposits in the greenfield frontiers of Australia.

Few others are searching in the same space. This has allowed SER to secure the best ground, get the best people and do the best science. Major mining companies like Fortescue Metals Group (FMG) agree, as demonstrated by our two Farm-in and Joint Venture Agreements. Agreements like this provide the funding to systematically explore our large project areas while retaining exposure to discovery upside. This allows SER to do what we do best: identify high quality greenfield projects, scientifically add value and then partner with a major mining company.

During the year our focus was advancing the **Canobie Project** in northwest Queensland following the intersection of thick intervals of nickel-elevated ultramafic rock with sulphide zones at the Kalarka Prospect. Working alongside world-renowned magmatic nickel sulphide expert, Dr Steve Beresford, SER collected a detailed gravity survey to define the geometry of the mafic intrusion and identify zones favourable for copper-nickel mineralisation. A magnetic remanence study was also completed which identified distinct remanent vector anomaly targets. We also won a Queensland Government Collaborative Exploration Initiative grant of \$275,000 to drill test the Wondoola Nickel Prospect.

In June, SER and FMG executed a Farm-in Joint Venture Agreement (FJV) over the Canobie Project. The FJV requires FMG to spend \$8M to earn an 80% joint venture interest. Importantly, the JV requires the drilling of 6,000m of basement ensuring the testing of many different Nickel-Copper and Copper-Gold targets. Following the FMG JVA announcement, SER completed a capital raise of \$2.5m.

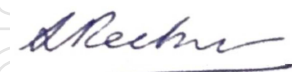
With Canobie fully funded by FMG, shareholders can expect a busy operational year ahead including a major drill campaign at Canobie and geophysical surveys at our Isa North (Queensland) and Mundi (NSW) projects. Since SER acquired the Isa North project, Fortescue Metals Group, Rio Tinto and Anglo American have all pegged exploration licences completely surrounding our tenure.

In May, SER announced the sale of our **East Tennant Project** to Middle Island Resources (ASX:MDI) for 18,240,000 shares which represented 14.9% of the issued capital of MDI. The transaction positions SER as the top shareholder of MDI, a pure play East Tennant focused explorer.

In addition to the above highlights:

- FMG completed a detail ground gravity survey at the Myall Creek Copper-Gold Project in South Australia. The new data will be combined with a magnetic survey previously completed by FMG to model targets for drilling.
- SER entered into an agreement with Evolution Mining Limited (ASX:EVN) for a 2-year Option to purchase SER tenements near Evolution's Cowal Gold Mine for \$300,000 upfront and \$1M per tenement upon exercise.

We would like to thank our shareholders for their continual support in our search for Australia's next major discovery.



Stuart Rechner
Executive Chairman

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 2023.

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
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 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 \$682,603 (30 June 2022: \$755,736).

Operating expenses for the year was \$1,053,075 (30 June 2022: \$1,033,827). Corporate expenses amounted to \$316,669 (30 June 2022: \$301,456) resulting from continuing operations. Employee benefit expenses amounted to \$134,983 (30 June 2022: \$132,718). A total of 19,500,000 unlisted options were issued to Directors and Employees during the year (30 June 2022: 6,833,333) and the Consolidated Entity recognised share-based payment expenses of \$310,000 (30 June 2022: \$124,633). The Consolidated Entity incurred \$35,587 (30 June 2022: \$96,188) on tenement due diligence and related exploration expenses. In addition, based on the periodic impairment review, the Consolidated Entity has written off carried forward exploration expenses of \$164,981 (30 June 2022: \$343,231) which were in relation to tenement work which are either relinquished or identified as commercially not viable.

The net assets of the Consolidated Entity increased by \$452,660 to \$5,763,884 (30 June 2022: \$5,311,224) as at 30 June 2023. The movements during the year was largely due to the capital raised during the year amounting to \$1,810,478 (net of transaction costs) and losses from operations amounting to \$682,603. Working capital, being current assets less current liabilities, decreased by \$59,648 to \$422,500 (2022: \$482,148). The Consolidated Entity incurred \$198,272 on the operating activities (30 June 2022: \$516,262) and invested \$1,241,954 (30 June 2022: \$2,212,275) in exploration assets.

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 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.

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.

On 3 April 2023, the Company was awarded a \$275,000 Queensland Government Collaborative Exploration Initiative (CEI) grant to drill a single deep hole at the Canobie Project where SER has defined a compelling intrusion related nickel-copper sulphide target.

On 16 May 2023, the Company announced the sale of East Tennant Project to Middle Island Resources Limited. The sale includes EL32109, EL32306, EL32307, EL32617, EL32760 and EL32809. Subject to completion of conditions in Sale and Purchase Agreement, Middle Island will purchase 100% of SER's East Tennant Projects for 18,240,000 fully paid ordinary MDI shares, for a deemed issue price of \$0.035 (3.5 cents). No cash consideration is payable. This transaction was completed on 17 July 2023.

On 23 June 2023, the Company announced that it entered into a Farm-In and Joint Venture Agreement with FMG Resources Pty Ltd ("Fortescue"), a wholly owned subsidiary of Fortescue Metals Group Limited (ASX: FMG) to explore the Canobie Project in northwest Queensland. The Canobie Project consisting of EPM 15398, EPM 27378, EPM 27586, EPM 27587, EPM 27588, EPM 27638, EPM 27676, and EPM 28180. Key terms include:

- FMG may earn a 51% interest in the Canobie Project (Stage 1 Interest) by incurring \$4M in expenditure on exploration which will include a minimum of 3,000m of basement drilling within the first three years. This includes a minimum obligation of \$2.5M in expenditure on exploration within the first 2 years.
- During the Stage 1 Period SER will operate and conduct all exploration activities as directed by the Exploration Committee which will comprise two members from each Party.
- FMG may earn an additional 29% interest (for a total interest of 80%) (Stage 2 Interest) by incurring an additional \$4M in expenditure on exploration over an additional 3 years which shall include a minimum of 3,000m of basement drilling (Stage 2 Period)
- Co-contribution to expenditure may occur after FMG earns the Stage 1 Interest (FMG 51%: SER 49%) or the Stage 2 Interest (FMG 80%: SER 20%). If SER elects not to contribute, its JV Interest will be diluted according to industry formula.

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 27 June 2023, the Company announced a capital raising to raise up to \$2.5m by way of placement by issuing 178,571,428 fully paid ordinary shares at \$0.014 (1.4 cents) per share. The Placement of shares will be undertaken in two tranches. On 3 July 2023, Tranche 1 of the placement was completed by issuing 71,428,571 shares within the Company's existing placement capacity. On 25 August 2023 Shareholders approved Tranche 2 of the Placement to issue 107,142,857, which was completed in September 2023.

On 3 July 2023, the Company issued 2,500,000 shares to the Corporate Advisor as consideration for its services.

On 17 July 2023, the Company announced the completion of the sale of the East Tennant Project to Middle Island Resources Limited, which was announced to the market on 16 May 2023. Middle Island has issued 18,240,000 fully paid ordinary MDI shares, for a deemed issue price of \$0.035 (3.5 cents).

No other matter or circumstance has arisen since 30 June 2023 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.

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 \$975,061 and net assets of \$5,763,884. 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 patterns and ability to raise additional funding to ensure the Company's ability to generate sufficient cash inflows to settle its creditors and other liabilities.

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.

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.

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.

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.

Environmental regulation

The Consolidated Entity holds participating interests in a number of exploration tenements across Australia. 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
Qualifications:	BSc LLB MAIG MAusIMM GAICD
Experience and expertise:	Mr Rechner is an experienced company director and geologist with a proven track record in project generation, acquisition, exploration, funding and development in Australia and overseas. Mr Rechner holds degrees in both geology and law. He is a member of the Australian Institute of Geoscientists, the Australasian Institute of Mining and Metallurgy and the Australian Institute of Company Directors. For over ten years Mr Rechner was an Australian diplomat with postings to Beijing and Jakarta.
Other current directorships:	Kingston Resources Limited (ASX: KSN)
Former directorships (last 3 years):	None
Interests in shares:	14,850,000 fully paid ordinary shares
Interests in options:	4,000,000 Unlisted Options, exercise price \$0.10 (10 cents), expiring 4 December 2023

Name: Dr David DeTata
Title: Managing Director
Qualifications: BSc MSc PhD (Chemistry) MBA GAICD
Experience and expertise: Dr DeTata is an accomplished scientist and exploration executive who has served as a Director of SER since 2017 and has been instrumental in forming and executing SER's strategy of Frontier Discovery. David has 20-years' experience leading technical programs across government, public and private companies. Dr DeTata serves on the Science Advisory Committee of the world's largest mineral exploration collaboration, the Mineral Exploration Cooperative Research Centre (MinEx CRC) and has been critical in identifying key pre-competitive data from various Geological Surveys around Australia to build SER's pipeline of highly prospective greenfields exploration projects. Dr DeTata holds a Doctor of Philosophy in energetic materials analysis and Master of Business Administration from the University of Western Australia.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 13,900,000 fully paid ordinary shares
Interests in options: 3,000,000 Unlisted Options, exercise price \$0.10 (10 cents), expiring 4 December 2023

Name: Mr Anthony McIntosh
Title: Non-Executive Director
Qualifications: BCom GAICD
Experience and expertise: Mr McIntosh is an experienced and accomplished director with experience in investor relations, marketing and strategic planning skills, as well as a strong network of stockbroker and fund manager supporters. Mr McIntosh served as a board member of Echo Resources Ltd for seven years until it was acquired by Northern Star Resources for \$235 million in 2019. He holds board positions with several listed and unlisted companies and manages a portfolio of investments, including both listed and unlisted companies as well rural, residential and commercial properties.

Other current directorships: K-Tig Limited (ASX: KTG) & Koonenberry Gold Limited (ASX: KNB)
Former directorships (last 3 years): Alice Queen Limited (ASX: AQX) (Resigned on 30 May 2022) & Copper Strike Limited (ASX:CSE) (Resigned 21 October 2022)
Interests in shares: 14,290,343 Fully paid ordinary shares
Interests in options: 2,000,000 Unlisted Options, exercise price \$0.10 (10 cents), expiring 4 December 2023
1,500,000 Unlisted Options, exercise price \$0.00, expiring 30 November 2025

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

Mr Mathew Watkins

Mr Watkins is a Chartered Accountant who has extensive ASX experience within several industry sectors including Biotechnology, Bioscience, Resources and Information Technology. He specialises in ASX statutory reporting, ASX compliance, Corporate Governance and board and secretarial support. Mr Watkins is appointed Company Secretary on a number of ASX listed Companies. Mr Watkins is employed at Vistra Australia Pty Ltd (Vistra), a professional Company Secretarial and Accounting firm. Vistra is a prominent provider of specialised consulting and administrative services to clients in the Fund, Corporate, Capital Markets, and Private Wealth sectors.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Full Board* Attended	Full Board Held
Mr S Rechner	6	6
Mr A McIntosh	6	6
Mr D DeTata	6	6

- * Due to the size of the Board and there not being a majority of independent directors on the Board, the Board fulfilled the roles and responsibilities in relation to the Audit and Risk Committee for the year ended 30 June 2023.

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

Remuneration report (audited)

The remuneration report, which has been audited, outlines the Director and executive remuneration arrangements for the Consolidated Entity and the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Consolidated Entity's and Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders'
- performance linkage / alignment of executive compensation
- transparency

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

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

Non-Executive Directors remuneration

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

For additional duties in assisting management beyond the normal time commitments of Non-Executive Directors, Non-Executive Directors are paid at a rate that is agreed between the Consolidated Entity and the Director, with the amounts approved by the Board.

ASX Listing rules requires that the aggregate Non-Executive Directors remuneration shall be determined 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:

- Fixed Remuneration
- Long-term incentives

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

Fixed remuneration, consisting of base salary and superannuation are reviewed annually by the Board, based on 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. However, there are no fringe benefits programmes currently in place.

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

Consolidated Entity performance and link to remuneration

The remuneration of the Directors and executives may be directly linked to the performance, share price or earnings of the Consolidated Entity. During the year the Consolidated Entity issued Performance Options to Executives which would vest subject to meeting various share price hurdles in addition to vesting conditions subject to OH&S related matters surrounding the Company's operations.

Non-Executive Directors and executives were granted 17,500,000 options over shares during the financial year (2022: 6,333,333). Anthony McIntosh received 1,500,000 options, Stuart Rechner received 8,000,000 options and David DeTata received 8,000,000 options, which are expiring on 30 November 2025. The recipients of options are responsible for growing the entity and increasing shareholders' value. The options provide an incentive to the recipients to remain with the Consolidated Entity and to continue to enhance the shareholders' value.

Voting and comments made at the Company's 16 November 2022 Annual General Meeting ('AGM')

The Company received 94.29% of 'for' votes in relation to its remuneration report for the year ended 30 June 2022. 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 Stuart Rechner - Executive Chairman
- Dr David DeTata - Managing Director
- Mr Anthony McIntosh - Non-Executive Director

	Short-term benefits		Post-employment benefits	Share-based payments	Total
	Salary and fees	Annual Leave	Super-annuation	Share-based payments	
30 June 2023	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>					
Mr A McIntosh	44,250	-	4,646	30,000	78,896
<i>Executive Directors:</i>					
Dr D DeTata	260,000	21,553	25,291	120,000	426,844
Mr S Rechner*	173,880	-	6,615	120,000	300,495
	<u>478,130</u>	<u>21,553</u>	<u>36,552</u>	<u>270,000</u>	<u>806,235</u>

* Included in salary and fees are \$63,000 of director fees and \$110,880 for geological services provided by Diplomatic Exploration Pty Ltd (an entity associated with Mr S Rechner).

	Short-term benefits		Post-employment benefits	Share-based payments	Total
	Salary and fees	Annual Leave	Super-annuation	Share-based payments	
30 June 2022	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>					
Mr A McIntosh	42,400	-	4,240	12,333	58,973
<i>Executive Directors:</i>					
Dr D DeTata*	248,219	18,829	24,349	48,400	339,797
Mr S Rechner**	123,273	-	6,000	48,400	177,673
	413,892	18,829	34,589	109,133	576,443

* Included in cash salary and fees are consulting fees of \$8,219, for various geological and administrative services offered to the Company during FY 21 in the month of June 2021 and paid in July 2021.

** Included in cash salary and fees are \$60,000 of director fees and \$63,273 for geological services provided by Diplomatic Exploration Pty Ltd (an entity associated with Mr S Rechner).

Name	Fixed remuneration		At risk - LTI	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<i>Non-Executive Directors:</i>				
Mr A McIntosh	62%	79%	38%	21%
<i>Executive Directors:</i>				
Dr D DeTata	72%	86%	28%	14%
Stuart Rechner	60%	73%	40%	27%

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: Dr David DeTata
 Title: Managing Director
 Agreement commenced: 1 July 2021
 Term of agreement: Ongoing
 Details: Dr D DeTata's fixed remuneration is \$260,000 per annum (plus statutory superannuation). The executive can terminate the agreement with five (5) months' notice. The Company can terminate the agreement with five (5) months' notice, or payment in lieu thereof.

Name: Mr Stuart Rechner
 Title: Geological Consultant (separate to Chair responsibilities)
 Agreement commenced: 1 July 2021
 Term of agreement: Ongoing
 Details: Mr S Rechner is contracted to provide geological and technical services to Strategic Energy Resources Limited and is remunerated on a daily rate at \$1,260 per day. It is expected that the services would be provided totalling approximately 8 days per month however can increase by mutual agreement. The Company and Mr S Rechner may terminate the agreement by giving two (2) months' notice in writing.

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 2023 (2022: Nil).

Options

Grant date	Expiry date	Exercise price	Fair value per option at grant date
18 November 2020	4 December 2023	\$0.1000	\$0.0410
30 November 2022	30 November 2025	\$0.0000	\$0.0050

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 2023 are set out below:

Name	Number of options granted during the year 30 June 2023	Number of options granted during the year 30 June 2022	Number of options vested during the year 30 June 2023	Number of options vested during the year 30 June 2022
Stuart Rechner	8,000,000	3,000,000	-	-
David DeTata	8,000,000	3,000,000	-	-
Anthony McIntosh	1,500,000	333,333	-	-

Performance rights

There were no performance rights over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2023.

Additional information

The earnings of the Consolidated Entity for the five years to 30 June 2023 are summarised below:

	2023 \$	2022 \$	2021 \$	2020 \$	2019 \$
Interest and other income	364,380	278,091	384,685	127,747	24,784
Loss before income tax	(682,603)	(755,736)	(2,265,126)	(425,684)	(694,845)
Loss after income tax	(682,603)	(755,736)	(2,265,126)	(425,684)	(694,845)

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

	2023	2022	2021	2020	2019
Share price at financial year end (cents per share)	0.014	0.018	0.053	0.050	0.060
Loss per share (cents per share)	(0.241)	(0.368)	(1.295)	(0.044)	(0.780)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other*	Balance at the end of the year
<i>Ordinary shares</i>					
Mr S Rechner	4,950,000	-	3,000,000	900,000	8,850,000
Dr D DeTata	4,000,000	-	3,000,000	900,000	7,900,000
Mr A McIntosh	4,385,581	-	6,000,000	333,333	10,718,914
	<u>13,335,581</u>	<u>-</u>	<u>12,000,000</u>	<u>2,133,333</u>	<u>27,468,914</u>

* Represent the number of shares issued on Exercise of Options.

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 / Others	Balance at the end of the year
<i>Options over ordinary shares</i>					
Mr S Rechner	8,000,000	8,000,000	(900,000)	(8,100,000)	7,000,000
Dr D DeTata	6,800,000	8,000,000	(900,000)	(7,900,000)	6,000,000
Mr A McIntosh	2,333,333	1,500,000	(333,333)	-	3,500,000
	<u>17,133,333</u>	<u>17,500,000</u>	<u>(2,133,333)</u>	<u>(16,000,000)</u>	<u>16,500,000</u>

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 December 2020	4 December 2023	\$0.1000	9,000,000
30 November 2022	30 November 2023	\$0.0000	9,500,000
			<u>18,500,000</u>

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

Shares issued on the exercise of options

On 18 August 2022, Directors and employees exercised a total of 2,633,333 Options at an exercise price of Nil resulting in the issue of fully paid ordinary shares.

	Exercise price	Number of shares issued
Date options granted		
30 November 2021	\$0.0000	2,133,333
8 February 2022	\$0.0000	<u>500,000</u>
		<u><u>2,633,333</u></u>

Shares under performance rights

There were no unissued ordinary shares of Strategic Energy Resources Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Strategic Energy Resources Limited issued on the exercise of performance rights during the year ended 30 June 2023 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

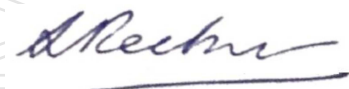
Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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 September 2023
Melbourne

For personal use

Grant Thornton Audit Pty Ltd
Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000
PO Box 7757
Cloisters Square
Perth WA 6850
T +61 8 9480 2000

Auditor's Independence Declaration

To the Directors of Strategic Energy Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Strategic Energy Resources Limited for the year ended 30 June 2023, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J C Esterhuizen
Partner – Audit & Assurance

Perth, 8 September 2023

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ACN-130 913 594

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Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023



		Consolidated	
	Note	30 June 2023	30 June 2022
		\$	\$
Other income	5	364,380	277,709
Interest income		6,092	382
Expenses			
Employee benefits expense		(134,983)	(132,718)
Corporate expenses		(316,669)	(301,456)
Tenement due diligence and other exploration expenses		(35,587)	(96,188)
Share based payments	30	(310,000)	(124,633)
Exploration expenditure written off	11	(164,981)	(343,231)
Other expenses		(90,855)	(35,601)
Loss before income tax expense		(682,603)	(755,736)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of Strategic Energy Resources Limited		(682,603)	(755,736)
Other comprehensive loss			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of financial assets at fair value through other comprehensive loss, net of tax		(49,737)	(110,723)
Other comprehensive loss for the year, net of tax		(49,737)	(110,723)
Total comprehensive loss for the year attributable to the owners of Strategic Energy Resources Limited		<u>(732,340)</u>	<u>(866,459)</u>
		Cents	Cents
Basic loss earnings per share	29	(0.238)	(0.368)
Diluted loss earnings per share	29	(0.238)	(0.368)

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 30 June 2023



Assets

Current assets

	Note	30 June 2023 \$	Consolidated 30 June 2022 \$
Cash and cash equivalents	7	975,061	604,809
Other receivables	8	97,114	8,160
Non-current assets classified as held for sale	9	443,563	-
Prepayments		23,556	22,335
Total current assets		<u>1,539,294</u>	<u>635,304</u>

Non-current assets

Financial assets at fair value through other comprehensive income	10	707,095	802,756
Equipment		2,741	5,710
Exploration and evaluation	11	4,478,570	3,898,132
Other non-current assets	12	152,978	122,478
Total non-current assets		<u>5,341,384</u>	<u>4,829,076</u>

Total assets

6,880,678 5,464,380

Liabilities

Current liabilities

Trade and other payables	13	135,226	123,396
Employee provisions		46,090	29,760
Other Liabilities	14	935,478	-
Total current liabilities		<u>1,116,794</u>	<u>153,156</u>

Total liabilities

1,116,794 153,156

Net assets

5,763,884 5,311,224

Equity

Issued capital	15	38,370,001	37,438,128
Reserves	16	1,029,262	1,063,695
Accumulated losses		(33,635,379)	(33,190,599)

Total equity

5,763,884 5,311,224

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 2023



Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2021	36,181,482	(32,442,037)	1,056,959	4,796,404
Loss after income tax expense for the year	-	(755,736)	-	(755,736)
Other comprehensive loss for the year, net of tax	-	-	(110,723)	(110,723)
Total comprehensive loss for the year	-	(755,736)	(110,723)	(866,459)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 15)	1,256,646	-	-	1,256,646
Share-based payments (note 30)	-	-	124,633	124,633
Transfer upon disposal of investments	-	7,174	(7,174)	-
Balance at 30 June 2022	<u>37,438,128</u>	<u>(33,190,599)</u>	<u>1,063,695</u>	<u>5,311,224</u>
Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2022	37,438,128	(33,190,599)	1,063,695	5,311,224
Loss after income tax expense for the year	-	(682,603)	-	(682,603)
Other comprehensive loss for the year, net of tax	-	-	(49,737)	(49,737)
Total comprehensive loss for the year	-	(682,603)	(49,737)	(732,340)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 15)	875,000	-	-	875,000
Share-based payments (note 30)	-	-	310,000	310,000
Reallocation of value of expired and cancelled options	-	285,323	(285,323)	-
Shares issued from exercise of options	56,873	-	(56,873)	-
Transfers upon disposal of investments (note 10)	-	(47,500)	47,500	-
Balance at 30 June 2023	<u>38,370,001</u>	<u>(33,635,379)</u>	<u>1,029,262</u>	<u>5,763,884</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 year ended 30 June 2023



		Consolidated	
	Note	30 June 2023	30 June 2022
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(568,066)	(546,483)
Interest received		5,414	380
Receipt of R&D tax refund		64,380	29,841
Receipts from sale of 2-year Option to Purchase Cowal Project	5	300,000	-
Net cash used in operating activities	28	<u>(198,272)</u>	<u>(516,262)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		-	(4,104)
Payments for exploration and evaluation	11	(1,257,379)	(2,618,309)
Payments for security deposits		(30,500)	(81,478)
Government Grant for exploration activities		-	299,333
Proceeds from disposal of investment		45,925	192,283
Net cash used in investing activities		<u>(1,241,954)</u>	<u>(2,212,275)</u>
Cash flows from financing activities			
Proceeds from issue of shares	15	875,000	1,320,000
Cost of capital raising		-	(63,354)
Advances for share capital	14	935,478	-
Net cash from financing activities		<u>1,810,478</u>	<u>1,256,646</u>
Net increase / (decrease) in cash and cash equivalents		370,252	(1,471,891)
Cash and cash equivalents at the beginning of the financial year		604,809	2,076,700
Cash and cash equivalents at the end of the financial year	7	<u><u>975,061</u></u>	<u><u>604,809</u></u>

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 September 2023. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any material 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 30 June 2023 of the Consolidated Entity results in an excess of current assets over current liabilities of \$422,500 (30 June 2022: \$482,148). The Consolidated Entity made a loss after tax of \$682,603 during the financial year (30 June 2022: loss of \$755,736) and had net operating cash outflows of \$198,272 (30 June 2022: \$516,262) and net investing cash outflows of \$1,241,954 (30 June 2022: \$2,212,275). The cash balances as at 30 June 2023 was \$975,061 (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 funding 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 and following events:

- On 15 August 2022, the Consolidated Entity raised \$875,000 issuing 51,470,589 fully paid ordinary shares at an issue price of \$0.017 (1.7 cents) per Share.
- On 3 April 2023, the Company was awarded a \$275,000 Queensland Government Collaborative Exploration Initiative (CEI) grant to drill a single deep hole at the Canobie Project where SER has defined a compelling intrusion related nickel-copper sulphide target.
- In June 2023, the Company entered into a Farm-In and Joint Venture Agreement with Fortescue, to explore the Canobie Project in Queensland. The Canobie Project consisting of EPM 15398, EPM 27378, EPM 27586, EPM 27587, EPM 27588, EPM 27638, EPM 27676, and EPM 28180. As part of the agreement Fortescue will fund exploration obligations of \$2.5M within the first 2 years and may earn a 51% interest in the Canobie Project (Stage 1 Interest).
- On 27 June 2023, the Company announced a capital raising which would raise up to \$2.5m by way of placement where it would issue 178,571,428 fully paid ordinary shares at \$0.014 (1.4 cents) per share. On 3 July 2023, the Company completed Tranche 1 of the Placement issuing 71,428,571 and raised \$1,000,000. On 25 August 2023 shareholders approved Tranche 2 of the Placement to issue 107,142,857, which was completed in September 2023.

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. 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.

Rounding of amounts

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

Basis of preparation

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

Historical cost convention

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

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 24.

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 2023 and the results of all subsidiaries for the year then ended. Strategic Energy Resources Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'. A list of subsidiaries is included in note 25. Reporting period and accounting policies of all the subsidiaries are consistent with the Company.

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

Note 2. Significant accounting policies (continued)

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.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Joint operations

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

Note 2. Significant accounting policies (continued)

Investments and other financial assets

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

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

Financial assets at fair value through other comprehensive income

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

Impairment of financial assets

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

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

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

Interest income

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2023. The Consolidated Entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

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

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

Share-based payment transactions

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

Fair value measurement hierarchy

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

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.

Indicators of impairment are:

- a. The right to explore has expired or will expire and is not expected to be renewed
- b. Expenditure or further exploration is not budgeted or planned
- c. No commercially viable discoveries have been made and the decision has been made to discontinue activities
- d. The carrying amount of the asset is unlikely to be recovered from the development or sale

Significant judgment is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. In the judgement of the Directors, at 30 June 2022 exploration activities in each area of interest have not yet reached a stage which permits a reasonable assessment of the existence or other of economically recoverable reserves.

The management reviewed all of the area of interest and addressed each of these indicators and none of the indicators exist in relation on area of interest that needs to be written down. There is nothing to indicate that carrying amount of assets would not be recovered from further development or sale. Sufficient judgement involved in determining whether impairment indicators are present.

Note 4. Operating segments

During the current financial year, the Consolidated Entity operated in one segment being an explorer of base and 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.

Assets and liabilities by geographical area

All assets and liabilities and operations are based in Australia.

Note 4. Operating segments (continued)

Accounting policy for operating segments

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

Note 5. Other income

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Income from option to sell Cowal tenements	300,000	-
Gain from sale of tenements	-	247,868
R&D tax refund received	64,380	29,841
	<u>364,380</u>	<u>277,709</u>

Income from option to sell 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.

Accounting policy for other income

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

Accounting policy for government grants

Research and Development tax incentives and other government grants are recognised in accordance with AASB 120: Accounting for Government grants and Disclosure of Government Assistance. Grants are recognised at their fair value when there is reasonable assurance that the grant will be received and all conditions have been complied with. The grant has been recognised as other income within the period.

Note 6. Income tax

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(682,603)	(755,736)
Tax at the statutory tax rate of 25%	(170,651)	(188,934)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	77,500	31,159
Non-deductible R&D expenditure	20,905	9,690
Other balances and permanent differences	(73,968)	-
	<u>(146,214)</u>	<u>(148,085)</u>
Income tax losses carried forward not taken up as a benefit	146,214	148,085
Income tax expense	<u>-</u>	<u>-</u>

Note 6. Income tax (continued)

Consolidated
30 June 2023 30 June 2022
\$ \$

Tax losses not recognised

Unused tax losses for which no deferred tax asset has been recognised	35,556,864	33,421,936
Potential tax benefit @ 25%	8,889,216	8,355,484

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

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

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

Consolidated
30 June 2023 30 June 2022
\$ \$

Deferred tax assets not recognised

Deferred tax assets not recognised comprises temporary differences attributable to:

Tax losses (revenue losses)	8,889,216	8,355,484
Temporary differences	(1,300,054)	(1,078,419)
Tax losses (capital losses)	2,040,969	2,140,157
Total deferred tax assets not recognised	9,630,131	9,417,222

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	
	30 June 2023	30 June 2022
	\$	\$
Cash at bank	<u>975,061</u>	<u>604,809</u>

Accounting policy for cash and cash equivalents

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

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

Note 8. Current assets - other receivables

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Other receivables	90,208	-
GST receivable	<u>6,906</u>	<u>8,160</u>
	<u>97,114</u>	<u>8,160</u>

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 risk management policies in place to ensure that all receivable are received within the credit time frame.

Accounting policy for trade and other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Exploration assets held for sale	<u>443,563</u>	<u>-</u>

Note 9. Current assets - non-current assets classified as held for sale (continued)

On 16 May 2023, the Company announced sale of East Tennant Project to Middle Island Resources Limited. This transaction includes tenements EL32109, EL32306, EL32307, EL32617, EL32760 and EL32809, which are located near to Middle Island's existing exploration projects. Subject to completion of conditions in Sale and Purchase Agreement, Middle Island will purchase 100% of SER's East Tennant Projects for 18,240,000 fully paid ordinary MDI shares, for a deemed issue price of \$0.035 (3.5 cents). This transaction was completed on 17 July 2023. As on 30 June 2023, tenements related to East Tennant Project amounting to \$424,006 has been classified as exploration assets held for sale.

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 EL9368 Tenement and associated information from SER. On 20 December 2022, 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 tenement EL9368. As on 30 June 2023, tenements related to EL9368 amounting to \$19,557 has been classified as exploration assets held for sale.

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

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Equity investments in quoted equity shares	53,095	148,756
Equity investments in unquoted equity shares	654,000	654,000
	<u>707,095</u>	<u>802,756</u>

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Reconciliation		
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)
Revaluation increments Vox Royalty Corp	(641)	54,514
Disposal of investment in Resolution Minerals Ltd	(20,000)	(13,000)
Additions: Resolution Minerals Ltd	-	247,928
Revaluation decrements Resolution Minerals Ltd	(49,095)	(165,238)
Closing fair value	<u>707,095</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. These are strategic investments and the Consolidated Entity considers this classification as most appropriate in the financial statements.

Investments in Vox Royalty Corp (TSXV: VOX)

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

Investments in Resolution Minerals Ltd (ASX: RML)

At the reporting date, the Consolidated Entity held 13,273,778 ordinary shares in RML, which are recognised at their fair value.

Refer to note 19 for further information on fair value measurement for RML and Ionic.

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

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 the year end 2023.

Impairment of financial assets

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

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

Note 11. Non-current assets - exploration and evaluation

	Consolidated	Consolidated
	30 June 2023	30 June 2022
	\$	\$
Exploration and evaluation - at cost	<u>4,478,570</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 Assets
	\$
Balance at 1 July 2021	1,884,627
Expenditure during the year	2,656,069
Exploration expenditure written off	(343,231)
Government grants*	<u>(299,333)</u>
Balance at 30 June 2022	3,898,132
Expenditure during the year	1,188,982
Classified as held for sale (Note 9)	(443,563)
Impairment of assets	<u>(164,981)</u>
Balance at 30 June 2023	<u><u>4,478,570</u></u>

* During the year ended 30 June 2022, the Company was awarded a government funding for its exploration activities. In accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, these funds were recognised against the respective tenement.

** Please refer to Note 22 for the Consolidated Entity's areas of interest and the associated exploration commitments.

Note 11. Non-current assets - exploration and evaluation (continued)

Accounting policy for exploration and evaluation assets

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

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

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Performance guarantee bonds	102,978	102,478
Other deposits	50,000	20,000
	<u>152,978</u>	<u>122,478</u>

Other deposits represent a term deposit of \$50,000 lodged as security over a credit card facility.

Accounting Policy for other non-current deposits

Deposits are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Note 13. Current liabilities - trade and other payables

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Trade payables	64,579	67,643
Other payables	70,647	55,753
	<u>135,226</u>	<u>123,396</u>

Refer to note 18 for further information on financial instruments.

Accounting policy for trade and other payables

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

Note 14. Current liabilities - Other Liabilities

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Advances for share capital	<u>935,478</u>	<u>-</u>

On 27 June 2023, the Company announced a capital raising which would raise up to \$2.5m by way of placement where it would issue 178,571,428 fully paid ordinary shares at \$0.014 (1.4 cents) per share. The balance represent the advances received at 30 June 2023 in relation to Tranche 1 of the Placement, which was completed on 3 July 2023 by issuing 71,428,571.

Note 15. Equity - issued capital

	Consolidated			
	30 June 2023	30 June 2022	30 June 2023	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>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	212,639,790		36,181,482
Issue of fully paid ordinary shares	14 September 2021	27,625,000	\$0.0440	1,215,500
Issue of fully paid ordinary shares	5 November 2021	2,375,000	\$0.0440	104,500
Capital raising costs		-		<u>(63,354)</u>
Balance	30 June 2022	242,639,790		37,438,128
Option exercise	18 August 2022	2,633,333	\$0.0216	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	30 June 2023	<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.

Capital risk management

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

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

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

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

The Company 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 2022 Annual Report.

Note 15. Equity - issued capital (continued)

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 16. Equity - reserves

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Financial assets at fair value reserve	469,362	471,599
Options reserve	559,900	592,096
	<u>1,029,262</u>	<u>1,063,695</u>

Financial assets at fair value through other comprehensive income reserve

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

Options reserve

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

Movements in reserves

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

Consolidated	Option reserve \$	Financial assets at fair value reserve \$	Total \$
Balance at 1 July 2021	467,463	589,496	1,056,959
Share-based payments	124,633	-	124,633
Revaluation decrements on financial assets at fair value through other comprehensive income	-	(110,723)	(110,723)
De-recognition of asset revaluation reserve surplus upon sale	-	(7,174)	(7,174)
	<u>592,096</u>	<u>471,599</u>	<u>1,063,695</u>
Balance at 30 June 2022	592,096	471,599	1,063,695
Share-based payments	310,000	-	310,000
Reallocation of value of expired options	(285,323)	-	(285,323)
Shares issued from exercise of options	(56,873)	-	(56,873)
Revaluation decrements on financial assets at fair value through other comprehensive income	-	(49,737)	(49,737)
De-recognition of asset revaluation reserve surplus upon sale	-	47,500	47,500
	<u>559,900</u>	<u>469,362</u>	<u>1,029,262</u>
Balance at 30 June 2023	<u>559,900</u>	<u>469,362</u>	<u>1,029,262</u>

Note 17. Equity - dividends

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

Note 18. Financial instruments

Financial risk management objectives

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

Price risk

The Consolidated Entity is exposed to price risk in relation to the shares that it owned in other listed and unlisted entities. The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Interest rate risk

The Consolidated Entity is not exposed to significant interest rate risk as deposits are held with established banks with interest rates that are in line with the RBA and other bank rates. The Consolidated Entity doesn't have any interest-bearing liabilities.

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.

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

Liquidity risk

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

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

Note 18. Financial instruments (continued)

Remaining contractual maturities

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

Consolidated - 30 June 2023	1 year or less \$	Remaining contractual maturities \$
Non-derivatives and non-interest bearing		
Trade and other payables	135,226	135,226
Total non-derivatives	<u>135,226</u>	<u>135,226</u>

Consolidated - 30 June 2022	1 year or less \$	Remaining contractual maturities \$
Non-derivatives and non-interest bearing		
Trade and other payables	123,396	123,396
Total non-derivatives	<u>123,396</u>	<u>123,396</u>

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

Fair value of financial instruments

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

Note 19. 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 - 30 June 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Equity investments in quoted equity shares	53,095	-	-	53,095
Equity investments in unquoted equity shares	-	-	654,000	654,000
Total assets	<u>53,095</u>	<u>-</u>	<u>654,000</u>	<u>707,095</u>

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

Note 19. Fair value measurement (continued)

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

Valuation techniques for fair value measurements categorised within 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. There were no additional observable price inputs during the year 2022, hence the investment was classified as Level 3 at 30 June 2022. The valuation of this investment remains unchanged at 30 June 2023 and has been made with reference to a material capital raising completed on an arm's length basis at the initial valuation date. Management will continue to assess the fair value of this investment in future.

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 20. Key management personnel disclosures

Directors

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

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

Compensation

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

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Short-term employee benefits	499,683	432,721
Post-employment benefits	36,552	34,589
Share-based payments	270,000	109,133
	<u>806,235</u>	<u>576,443</u>

Note 21. 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	
	30 June 2023	30 June 2022
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>43,632</u>	<u>43,151</u>

Note 22. Commitments

Consolidated
30 June 2023 30 June 2022
\$ \$

Exploration Commitments

Committed at the reporting date but not recognised as liabilities, payable:

Within one year

1,878,714 1,278,619

Two to five years

5,057,007 4,056,234

6,935,721 5,334,853

Mining Tenement	Tenement Description	Location	Interest Owned 2023	Interest Owned 2022	Status of exploration commitment
EPM26439	Isa North 1	Queensland	100%	100%	Fulfilled
EPM26440	Isa North 2	Queensland	100%	100%	Fulfilled
EPM26442	Isa North 3	Queensland	100%	100%	Fulfilled
EPM15398	Saxby	Queensland	100%	100%	Note 2
EPM27378	Saxby North	Queensland	100%	100%	Note 2
EPM27586	Saxby 1	Queensland	100%	100%	Note 2
EPM27587	Saxby 2	Queensland	100%	100%	Note 2
EPM27588	Saxby 3	Queensland	100%	100%	Note 2
EPM27638	Saxby 4	Queensland	100%	100%	Note 2
EPM27676	Saxby 5	Queensland	100%	100%	Note 2
EPM28180	Saxby 6	Queensland	100%	100%	Note 2
EL6140	Myall Creek	South Australia	100%	100%	Note 1
EL5898	Roopena	South Australia	100%	100%	Note 1
EL6626	Mabel Creek	South Australia	80%	80%	Fulfilled
EL9368	South Cowal	New South Wales	100%	100%	Note 3
EL9057	East Cowal	New South Wales	100%	100%	Fulfilled
EL9012	South Cobar	New South Wales	100%	100%	Fulfilled
EL9367	Garema	New South Wales	100%	100%	Fulfilled
EL9373	Nymagee	New South Wales	100%	100%	No, Note 5
EL9362	Mundi 1	New South Wales	100%	100%	No, Note 5
EL9388	Mundi 2	New South Wales	100%	100%	Fulfilled
E70/4793	Ambergate	Western Australia	100%	100%	Fulfilled
E70/5012	Ambergate West	Western Australia	100%	100%	No, Note 5
E70/5344	Ambergate Far West	Western Australia	100%	100%	Fulfilled
EL32109	East Tennant 1	Northern Territory	100%	100%	Note 4
EL32306	East Tennant 2	Northern Territory	100%	100%	Note 4
EL32307	East Tennant 3	Northern Territory	100%	100%	Note 4
EL32809	East Tennant 4	Northern Territory	100%	100%	Note 4
EL32617	Barkly 1	Northern Territory	100%	100%	Note 4
EL32670	Barkly 2	Northern Territory	100%	100%	Note 4

Note 1

In 2019, the Company signed a farm-in and JV agreement with FMG covering the Myall Creek Project (EL 5898 and EL 6140). Mining tenement expenditure commitment for this exploration interest was not fulfilled due to factors beyond management's and operator's control. Management submitted a project variation application with the granting authority which was approved for the required term.

Note 2

During June 2023, the Company signed a farm-in and JV agreement with FMG covering the Canobie Project (EPM 15398, EPM 27378, EPM 27586, EPM 27587, EPM 27588, EPM 27638, EPM 27676, and EPM 28180). FMG may earn a 51% interest in the Canobie Project (Stage 1 Interest) by incurring \$4M in expenditure on exploration which will include a minimum of 3,000m of basement drilling within the first three years. This includes a minimum obligation of \$2.5M in expenditure on exploration within the first 2 years.

Note 22. Commitments (continued)

Note 3

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). 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 assess EL9368.

Note 4

On 16 May 2023, the Company announced the sale of East Tennant Project to Middle Island Resources Limited. The sale includes EL32109, EL32306, EL32307, EL32617, EL32760 and EL32809. On 17 July 2023, this transaction was completed, and the associated commitments were relinquished the same day.

Note 5

For those tenements, which the Consolidated Entity has not fulfilled the exploration commitments, the due date to meet the exploration expense commitment hasn't expired at 30 June 2023. Based on the current forecasts, management is confident that the expenditure commitments will be met by their respective due dates. Management reviewed these tenements and is confident that there will no adverse implications to those exploration interest at the reporting date.

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

In order to maintain current rights to tenure to exploration and mining tenements, the Consolidated Entity has the above exploration expenditure requirements up until expiry of leases. These obligations, which may be varied from time to time, and which are subject to renegotiation on lease renewal dates – therefore 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 23. Related party transactions

Parent entity

Strategic Energy Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 25.

Joint operations

Interests in joint operations are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the Directors' report.

Note 23. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Payment for geological services*	75,600	69,600
Payment for Rent**	9,600	6,400

* 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 previous reporting date.

Terms and conditions

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

Note 24. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2023	30 June 2022
	\$	\$
Loss after income tax	(682,603)	(755,736)
Total comprehensive loss	(682,603)	(755,736)

Note 24. Parent entity information (continued)

Statement of financial position

	Parent	
	30 June 2023	30 June 2022
	\$	\$
Total current assets	1,539,293	635,303
Total assets	6,880,677	5,464,378
Total current liabilities	1,116,792	153,154
Total liabilities	1,116,792	153,154
Equity		
Issued capital	38,370,001	37,438,127
Financial assets at fair value reserve	469,362	471,599
Options reserve	559,900	592,096
Accumulated losses	(33,635,378)	(33,190,598)
Total equity	<u>5,763,885</u>	<u>5,311,224</u>

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 30 June 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2023 and 30 June 2022.

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 25. 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	
		30 June 2023	30 June 2022
		%	%
Strategic Sands Pty Ltd	Australia	100%	100%
Strategic Caldera Pty Ltd	Australia	80%	80%

Note 26. Farm-outs in the exploration and evaluation phase

The Consolidated Entity had interests in unincorporated joint operations at 30 June 2023 as follows;

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2023 %	30 June 2022 %
Myall Creek (EL6140) - South Australia	Australia	100.00%	100.00%
Roopena (EL5898) - South Australia	Australia	100.00%	100.00%
Saxby (EPM15398) - Queensland	Australia	100.00%	100.00%
Saxby North (EPM27378) - Queensland	Australia	100.00%	100.00%
Saxby 1 (EPM27586) - Queensland	Australia	100.00%	100.00%
Saxby 2 (EPM27587) - Queensland	Australia	100.00%	100.00%
Saxby 3 (EPM27588) - Queensland	Australia	100.00%	100.00%
Saxby 4 (EPM27638) - Queensland	Australia	100.00%	100.00%
Saxby 5 (EPM27676) - Queensland	Australia	100.00%	100.00%
Saxby 6 (EPM28180) - Queensland	Australia	100.00%	100.00%

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

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

On 23 June 2023, the Company announced that it entered into a Farm-In and Joint Venture Agreement with FMG Resources Pty Ltd (“Fortescue”), a wholly owned subsidiary of Fortescue Metals Group Limited (ASX: FMG) to explore the Canobie Project in northwest Queensland. The FJV requires FMG to spend \$8M to earn an 80% joint venture interest. Importantly, the JV requires the drilling of 6,000m of basement ensuring the testing of many different Nickel-Copper and Copper-Gold targets. Following the FMG JVA announcement, SER completed a capital raise of \$2.5m. The Canobie Project consisting of EPM 15398, EPM 27378, EPM 27586, EPM 27587, EPM 27588, EPM 27638, EPM 27676, and EPM 28180. Key terms include:

- FMG may earn a 51% interest in the Canobie Project (Stage 1 Interest) by incurring \$4M in expenditure on exploration which will include a minimum of 3,000m of basement drilling within the first three years. This includes a minimum obligation of \$2.5M in expenditure on exploration within the first 2 years.
- During the Stage 1 Period SER will operate and conduct all exploration activities as directed by the Exploration Committee which will comprise two members from each Party.
- FMG may earn an additional 29% interest (for a total interest of 80%) (Stage 2 Interest) by incurring an additional \$4M in expenditure on exploration over an additional 3 years which shall include a minimum of 3,000m of basement drilling (Stage 2 Period)
- Co-contribution to expenditure may occur after FMG earns the Stage 1 Interest (FMG 51%: SER 49%) or the Stage 2 Interest (FMG 80%: SER 20%). If SER elects not to contribute, its JV Interest will be diluted according to industry formula.

Note 27. Events after the reporting period

On 27 June 2023, the Company announced a capital raising to raise up to \$2.5m by way of placement by issuing 178,571,428 fully paid ordinary shares at \$0.014 (1.4 cents) per share. The Placement of shares will be undertaken in two tranches. On 3 July 2023, Tranche 1 of the placement was completed by issuing 71,428,571 shares within the Company’s existing placement capacity. On 25 August 2023 Shareholders approved Tranche 2 of the Placement to issue 107,142,857, which was completed in September 2023.

On 3 July 2023, the Company issued 2,500,000 shares to the Corporate Advisor as consideration for its services.

Note 27. Events after the reporting period (continued)

On 17 July 2023, the Company announced the completion of the sale of the East Tennant Project to Middle Island Resources Limited, which was announced to the market on 16 May 2023. Middle Island has issued 18,240,000 fully paid ordinary MDI shares, for a deemed issue price of \$0.035 (3.5 cents).

No other matter or circumstance has arisen since 30 June 2023 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 28. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	Consolidated
	30 June 2023	30 June 2022
	\$	\$
Loss after income tax expense for the year	(682,603)	(755,736)
Adjustments for:		
Depreciation and amortisation	2,969	4,025
Share-based payments	310,000	124,633
Exploration costs written off	164,981	343,231
Net fair value investment recognised as income	-	(247,868)
Change in operating assets and liabilities:		
Decrease/(increase) in other receivables	(8,581)	1,750
Decrease/(increase) in prepayments	(1,220)	7,687
Decrease in trade and other payables	(148)	(14,074)
Increase in employee benefits	16,330	20,090
Net cash used in operating activities	<u>(198,272)</u>	<u>(516,262)</u>

Note 29. Loss per share

	Consolidated	Consolidated
	30 June 2023	30 June 2022
	\$	\$
Loss after income tax attributable to the owners of Strategic Energy Resources Limited	<u>(682,603)</u>	<u>(755,736)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>286,209,498</u>	<u>205,488,629</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>286,209,498</u>	<u>205,488,629</u>
	Cents	Cents
Basic loss earnings per share	(0.238)	(0.368)
Diluted loss earnings per share	(0.238)	(0.368)

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.

Note 29. Loss per share (continued)

As at 30 June 2023, the Consolidated Entity had 28,500,000 (30 June 2022: 18,633,333) unlisted options on issue. These options have not been included in the above diluted loss earnings per share calculation. These equity instruments are considered to be anti-dilutive, as their inclusion would not decrease earnings per share nor increase the loss per share, from continuing operations.

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 30. Share-based payments

On 30 November 2022, the Company issued 19,500,000 unlisted options to current directors, at nil exercise price, expiring on 30 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 none 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.

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

30 June 2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
17/12/2019	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	-	(10,000,000)	9,500,000
			<u>18,633,333</u>	<u>19,500,000</u>	<u>(2,633,333)</u>	<u>(17,000,000)</u>	<u>18,500,000</u>
Weighted average exercise price			\$0.1000	\$0.0000	\$0.0000	\$0.0000	\$0.1000

Note 30. Share-based payments (continued)

30 June 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
17/12/2019	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
08/02/2022	30/11/2024	\$0.0000	-	500,000	-	-	500,000
			<u>11,800,000</u>	<u>6,833,333</u>	<u>-</u>	<u>-</u>	<u>18,633,333</u>
Weighted average exercise price			\$0.1000	\$0.0000	\$0.0000	\$0.0000	\$0.1000

A total of 19,500,000 unlisted options were issued to Directors and Key Management Personal during the year (30 June 2022: 6,333,333). The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.45 years (30 June 2022: 1.65 years).

Options issued during the financial year have been valued using the Black-Scholes and Monte-Carlo simulation method and the Consolidated Entity recognised share-based payment expenses of \$310,000 (30 June 2023: \$124,633).

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

Grant date	Expiry date	30 June 2023 Number	30 June 2022 Number
17/12/2019	12/12/2022	-	2,000,000
12/08/2020	12/12/2022	-	200,000
04/12/2020	04/12/2023	9,000,000	9,000,000
04/12/2020	12/12/2022	-	600,000
30/11/2021	30/11/2024	-	6,333,333
08/02/2022	30/11/2024	-	500,000
30/11/2022	30/11/2025	9,500,000	-
		<u>9,500,000</u>	<u>-</u>
		<u>18,500,000</u>	<u>18,633,333</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 period.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
16/11/2022	16/11/2025	\$0.0200	\$0.0000	100.00%	3.17%	\$0.012
16/11/2022	16/11/2025	\$0.0200	\$0.0000	100.00%	3.25%	\$0.020

Accounting policy for share-based payments

Equity-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.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Monte-Carlo 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.

Note 30. Share-based payments (continued)

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.

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

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

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

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

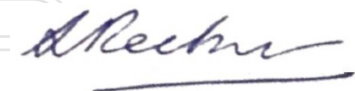
In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2023 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 September 2023
Melbourne

Independent Auditor's Report

To the Members of Strategic Energy Resources Limited

Report on the audit of the financial report

Qualified opinion

We have audited the financial report of Strategic Energy Resources Limited (the Company) and its subsidiaries (the Consolidated Entity) which comprises the consolidated statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated 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, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 2023 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for qualified opinion

Included within Note 10 and Note 19 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. We have been unable to obtain sufficient appropriate audit evidence to support the valuation of this level 2 investment under AASB 13 Fair Value Measurement as at 30 June 2023.

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 (including Independence Standards)* (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 qualified opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Consolidated Entity made a loss after tax of \$562,603 and had net operating cash outflows of \$198,272 and net investing cash outflows of \$1,241,954 for the year ended 30 June 2023. 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 11	
<p>At 30 June 2023 the carrying value of exploration and evaluation assets was \$4,478,570.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.</p> <p>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.</p> <p>This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">• obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;• reviewing management's area of interest considerations against AASB 6;• conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including:<ul style="list-style-type: none">– tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;– enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;– understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;• assessing the accuracy of impairment recorded for the year as it pertained to exploration interests;• evaluating the competence, capabilities and objectivity of management in the evaluation of potential impairment triggers; and• assessing the appropriateness of the related financial statement disclosures.

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

The Directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2023, 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 Consolidated Entity'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 Consolidated Entity 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/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Strategic Energy Resources Limited, for the year ended 30 June 2023 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J C Esterhuizen
Partner – Audit & Assurance

Perth, 8 September 2023

The shareholder information set out below was applicable as at 7 September 2023.

	Ordinary shares Number of holders	Ordinary shares Number of units	Ordinary shares % of total shares issued	Options over ordinary shares Number of holders	Options over ordinary shares Number of units	Options over ordinary shares % of total of holders
1 to 1,000	168	47,921	0.01	-	-	-
1,001 to 5,000	189	527,606	0.11	-	-	-
5,001 to 10,000	184	1,630,352	0.34	-	-	-
10,001 to 100,000	628	23,567,765	4.87	-	-	-
100,001 and over	315	458,041,496	94.67	4	12,500,000	100.00
	1,484	483,815,140	100.00	4	12,500,000	100.00
Holding less than a marketable parcel of shares						896

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares Number held	% of total shares issued
Abadi Investments Pty Ltd	49,549,801	10.24
Pillage Investments Pty Ltd	35,714,285	7.38
1215 Capital Pty Ltd	20,325,364	4.20
KSL Corp Pty Ltd	20,000,000	4.13
Cedarfield Holdings Pty Ltd	14,285,714	2.95
1215 Capital Pty Ltd	13,778,506	2.85
Osmium Holdings Pty Ltd	11,850,000	2.45
Chesilton Pty Ltd	10,714,286	2.21
Mr Mark Anthony Broglio	9,214,286	1.90
E E R C Australasia Pty Ltd	8,882,353	1.84
Interdale Pty Ltd	8,325,581	1.72
Mr Mark Andrew Tkocz	8,211,003	1.70
George WA Pty Ltd	8,000,000	1.65
Newpuzzle Holdings Pty Ltd	7,941,177	1.64
Mr Nicolas Terranova	7,000,000	1.45
Omen Pty Ltd	6,401,174	1.32
Mr Craig Michael Lake & Mrs Judith May Lake	6,020,000	1.24
Strata Investments Holdings Plc	5,828,571	1.20
Saranzo Pty Ltd	5,631,429	1.16
Hongmen Pty Ltd	4,834,865	1.00
	262,508,395	54.23

Unquoted equity securities

The following persons hold 20% or more of unquoted equity securities:

Name	Number held
Osmium Holdings Pty Ltd	4,000,000
Dr David DeTata	3,000,000

Substantial holders

Substantial holders in the Company, as disclosed in substantial holding notices given to the Company, are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Graeme Kirk	66,428,571	13.90
Datt Capital	53,226,272	11.13
1215 Capital Pty Ltd	34,103,870	7.10
Anthony Rechner	15,583,527	5.47

Voting rights

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

Ordinary shares

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

Unlisted options

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

Director Nomination

The Company will hold its Annual General Meeting of shareholders on Thursday, 16 November 2023. The Company also advises that in accordance with ASX Listing Rule 14.5 and the Company's constitution the Closing Date for receipt of nominations for the position of Director is Thursday, 28 September 2023. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on this date at the Company's Registered Office.