

27 March 2024

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

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

Dear Dale,

RESPONSE TO HALF YEAR REPORT QUERY LETTER

We refer to your query letter dated 21 March 2024 and respond as follows:

1. **Is SER able to confirm that, in the Directors' opinion, the financial statements and notes for the half-year ended 31 December 2023 as set out in the Half-Year Report:**
 - 1.1 *comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and*
 - 1.2 *give a true and fair view of SER's financial performance and position for the half year ended 31 December 2023?*

Yes, it is the Directors' opinion that the Financial Statements and Notes for the Half Year ended 31 December 2023 complies with both 1.1 and 1.2 above.

2. **Given Ionic's Financial Position and Performance, as set out in Paragraph F above, for the financial year ended 30 June 2023 please explain the basis for and factors considered by the Directors to conclude that carrying value of its investment in Ionic Industries Limited is fully recoverable and no impairment on this investment is needed as of the half year reporting date.**

Ionic Industries Limited ("Ionic") undertook several capital raising activities and advanced its operations during 2023.

Capital Raising Activities

During May 2023, Ionic raised \$491,750 through the issue of 28,100,002 fully paid ordinary shares to professional and sophisticated investors with an issue price of \$0.0175 (1.75 cents) per share.

During July 2023, Ionic issued 34,825,000 fully paid ordinary shares with an issue price of \$0.025 (2.5 cents) per share in accordance with its Share Purchase Plan (SPP), raising \$870,625 before costs.

Operational Progression

Ionic has reported the following activities during 2023:

- In June 2023, Ionic and GeoFabrics Australasia entered into an agreement for the supply of conductive, coated geotextile for sale by GeoFabrics as their Bidim-C product. The agreement is for the supply of Bidim-C over the next 12 months and is expected to generate up to \$1,000,000 in revenue for Ionic. The first revenue milestone of \$230,000 was achieved in August 2023.
- Scaled up supercapacitor production with joint venture partner CapXX.
- New business opportunities including: a joint development project with one of the world's largest rubber and automotive products manufacturers, German company Continental AG; and another with the world's largest flooring manufacturer, US-based Mohawk Industries flooring.

Having regards to the developments in Ionic during the year and capital raisings completed at prices both of which were significantly higher than the current book value of \$0.0075, the Board was comfortable that the value of investment in Ionic is not impaired.

3. In respect of the qualified conclusion as set out in Paragraph B above:

3.1 Please provide details of the level 3 inputs used by SER to determine the fair value of investment in Ionic as at 31 December 2023.

3.2 What evidence was provided to the auditor's in support of the level 3 inputs used in the valuation of SER's investment in Ionic under AASB 13 Fair Value Measurement as at 31 December 2023? 3.3 Did the Directors of SER consider any other alternate method to determine the fair value of its investments in Ionic as at 31 December 2023? If so, please provide details.

3.1 SER holds 87,155,625 shares in Ionic which were carried at \$Nil book value prior to 2020. This was in accordance with AASB 13 Fair Value Measurement, using Level 3 of the fair value hierarchy inputs for the asset or liability that are not based on observable market data (unobservable inputs) as the investment cannot be reliably measured. This value was then increased to \$0.075 in December 2020 based on the capital raising completed during December 2020 at a value of \$0.0075 (0.75 cents) per share.

However, despite the fact that Ionic has conducted two separate capital raisings in 2023 at a price higher than the current book value of \$0.0075 per share, the capital raisings were conducted with existing shareholders & related parties and not considered representative of an arm's length fair value for the purposes of valuing the investment. There is no timeframe set for Ionic to complete the planned IPO, which limits the Company's ability to place reliance on the value per share from the capital raisings. In addition, until completion of an IPO, the Company's ability to realise the value of Ionic shares is limited.

In the absence of evidence to contrary, based on the current available information, the Company concluded that a conservative approach must be taken in valuing its investment in Ionic, and therefore at 31 December 2023 the valuation of Ionic continued to be carried at \$654,000 (87,155,625 shares at \$0.0075).

3.2 SER provided a detailed Management Paper to the auditors containing mainly the above-mentioned details in support of the Level 3 valuation. The paper was also subsequently presented to the Board at the meeting held on 15 March 2024, wherein the Board was supportive of the valuation adopted.

3.3 No alternative method for determining the fair value of its investment in Ionic was considered by the Board as at 31 December 2023, however the Company continues to monitor closely the activities of Ionic through seeking regular updates from Ionic management.

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

The Company will continue to monitor its investment in Ionic. The Directors and Management (in conjunction with its auditors) will continue to assess the available information in order to form a view of the valuation going forward. A future liquidity event such as an IPO or trade sale at arm's length, will enable a supportable valuation. Should uncertainty over Ionic's value remain, the Company proposes to update the value of its investment in Ionic, adopting a conservative approach to valuation.

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

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

Yes. The Board continues to monitor the Company's cashflow forecasts to ensure that the Company has sufficient resources to meet its business objectives. The Company undertook a capital raising of \$2.5M in June 2023 through existing and new shareholders and continues to monitor the requirement to raise further working capital as required. The Company also reiterates the fact that it has entered into a Farm-in Joint venture Agreement with Fortescue Metal Group (FMG) for the conduct of exploration activities at its Canobie project. FMG continues to fund operations at Canobie, including SER's costs.

The Company has a strong track record of raising capital and the Directors are confident about the Company's ability to raise additional capital in the future as and when needed. The Company can also vary its work programs and other expenditure in accordance with the Company's financial resources available as and when required. In addition, the Company holds liquid investments which it has and continues to liquidate as and when required.

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

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

Not Applicable

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

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

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

Yes, responses have been authorised by the Board.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read "Mathew Watkins", is written over a horizontal line.

Mathew Watkins
Company Secretary
Strategic Energy Resources Limited



21 March 2024

Reference: 91020

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

By email: Mathew.Watkins@vistra.com

Dear Mr Watkins

Strategic Energy Resources Limited ('SER'): Half-year report - Query

ASX refers to the following:

- A. SER's half-year report for the half-year ended 31 December 2023 lodged on ASX Market Announcements Platform ('MAP') and released on 15 March 2024 ('Half-Year Report').
- B. ASX notes that the Independent Auditor's Review Report accompanying the Half-Year Report ('Auditor's Review Report') contains a qualified conclusion, together with the basis for qualified conclusion:
"Included within Note 6 of the half-year report, the Consolidated Entity continues to value its investment in unlisted public company Ionic Industries Limited at an amount of \$654,000. Due to the lack of information available in the current period as outlined in Note 6, we have been unable to obtain sufficient appropriate audit evidence to support the valuation of this level 3 investment under AASB 13 Fair Value Measurement as at 31 December 2023."
- C. ASX also notes that the Auditor's Review Report contains a material uncertainty related to going concern paragraph as set out below:
"We draw attention to Note 2 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$317,888 during the half year ended 31 December 2023 and had operating and investing cash outflows of \$1,078,891. As stated in Note 2, these events or conditions along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter" ('Material Uncertainty Related to Going Concern').
- D. SER's annual report for the years ended 30 June 2023 and 30 June 2022 lodged and released on MAP ('FY23 and FY22 Annual Reports') where the accompanying Independent Auditor's Report contains a qualified opinion with the identical basis for qualified opinion as in Paragraph B above, and an analogous material uncertainty paragraph related to going concern as in Paragraph C above.
- E. ASX's query letter dated 15 September 2022 concerning the FY22 Annual Report and SER's response to ASX's query letter lodged on MAP and released on 20 September 2022 ('Previous Response to ASX Query') which states the following steps SER intended to take to obtain an unmodified audit opinion with regards to its future financial statements:
"The Company will continue to monitor its investment in Ionic Industries Limited. The Directors and management (in conjunction with its auditors) will continue to assess the available information in order to form a view of the valuation going forward. A future liquidity event, will enable a supportable valuation. Should uncertainty over Ionic's value remain, SER proposes to update the value of its investment in Ionic, adopting a conservative approach to valuation."

- F. The annual report of Ionic Industries Limited ('Ionic') for the year ended 30 June 2023 where ASX notes that Ionic incurred a net loss after tax of \$3,203,656 (30 June 2022: loss of \$985,886) and net operating cash outflows of \$534,267 (30 June 2022: cash outflows of \$1,170,123) and had net assets of \$201,223 (30 June 2022: \$2,908,005) ('Ionic's Financial Position and Performance').
- G. Listing Rule 12.1 which states:
- 12.1 *The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued +quotation of the entity's +securities and its continued listing.*
- H. Listing Rule 12.2 which states:
- 12.2 *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.*
- I. Listing Rule 19.11A which states:
- 19.11A *If a listing rule requires an entity to give ASX +accounts, the following rules apply.*
- (a) *If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.*
- (b) *The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.*

Request for information

In light of the information contained in the Half-Year Report, the Auditor's Review Report and the Previous Response to ASX Query, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is SER able to confirm that, in the Directors' opinion, the financial statements and notes for the half-year ended 31 December 2023 as set out in the Half-Year Report:
 - 1.1 comply with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*; and
 - 1.2 give a true and fair view of SER's financial performance and position for the half year ended 31 December 2023.
2. Given Ionic's Financial Position and Performance, as set out in Paragraph F above, for the financial year ended 30 June 2023 please explain the basis for and factors considered by the Directors to conclude that carrying value of its investment in Ionic Industries Limited is fully recoverable and no impairment on this investment is needed as of the half year reporting date.
3. In respect of the qualified conclusion as set out in Paragraph B above:
 - 3.1 Please provide details of the level 3 inputs used by SER to determine the fair value of investment in Ionic as at 31 December 2023.
 - 3.2 What evidence was provided to the auditor's in support of the level 3 inputs used in the valuation of SER's investment in Ionic under AASB 13 *Fair Value Measurement* as at 31 December 2023?
 - 3.3 Did the Directors of SER consider any other alternate method to determine the fair value of its investments in Ionic as at 31 December 2023? If so, please provide details.

4. What steps does SER intend to take to obtain an unmodified audit opinion with regards to its future financial statements?
5. Given the Material Uncertainty Related to Going Concern included in the Auditor's Review Report, does SER consider that the financial condition of SER is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
6. If the answer to questions 5 is "No", please explain what steps SER has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.
7. Please confirm that SER is complying with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that SER's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its Board or an officer of SER with delegated authority from the Board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Wednesday, 27 March 2024**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SER's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require SER to request a trading halt immediately.

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

Trading halt

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

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

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

Suspension

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

Listing Rules 3.1 and 3.1A

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

Release of correspondence between ASX and entity

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Kind regards

ASX Compliance