



STRATEGIC ENERGY RESOURCES
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29th January 2009

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Quarterly Activity Report to 31 December 2008

HIGHLIGHTS FOR THE QUARTER:

- **New Board and Company Secretary**
- **Appointment of Managing Director**
- **Reduced the cost base**
- **Registered office moved from Perth to Melbourne**
- **Successful Bid for New Gippsland Basin Permit**
- **Asset and Strategy Review commenced**

Strategic Energy Resources Limited (ASX Code: SER) holds a number of interests in oil and mineral exploration assets and the Uley graphite mine at Port Lincoln, South Australia (presently under care and maintenance). These include significant interests in four offshore petroleum exploration permits in the Gippsland Basin, Victoria, and an interest in one onshore petroleum exploration block in the Cooper Basin, South Australia. Our mineral exploration licences include the Cultana and Myall Creek projects in South Australia, Falcon Bridge in Western Australia and Whitfield and Casterton in Victoria.

1. OIL AND GAS EXPLORATION

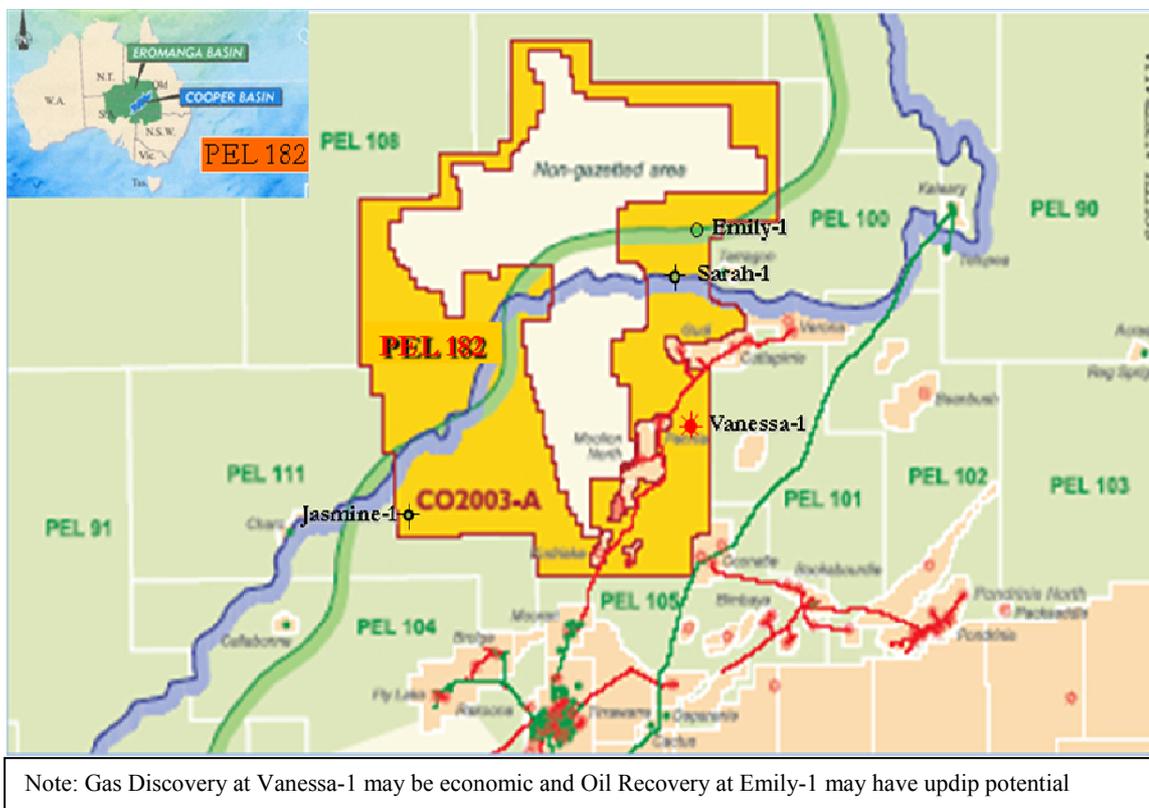
1.1 PEL-182 - (SER 37.6%)

ONSHORE PETROLEUM EXPLORATION – COOPER BASIN, S.A

PEL 182 is an underexplored Cooper Basin exploration block on trend with oil and gas discoveries. It retains a good chance to deliver several commercial and low risk prospects, and has the potential to become a stable source of cash flow through oil and/or gas production in the future.

Since Audax Resources Limited has taken over operatorship of the PEL 182 permit in the Cooper Basin it has refocused the exploration activity and the corresponding work program. ADX has undertaken a review of existing technical and commercial work. A new interpretation of the seismic data and a review of the Vanessa gas discovery were presented to PIRSA (Department of Primary Industries and Resources of South Australia).

Subsequently a suspension was granted on 23 September, 2008. The suspension for the current licence year 2 is until 1 March 2009 during which time seismic data reprocessing and preparation for further 2D seismic acquisition will be planned.



1.2 VIC/P47 – (SER 25%) GIPPSLAND BASIN OFFSHORE VICTORIA

Vic/P47 is located in the offshore Gippsland Basin, approximately 5 km offshore, south of the Victorian town of Orbost. Water depths range from 20 to 80 metres and the permit covers an area of approximately 718 square kilometres.

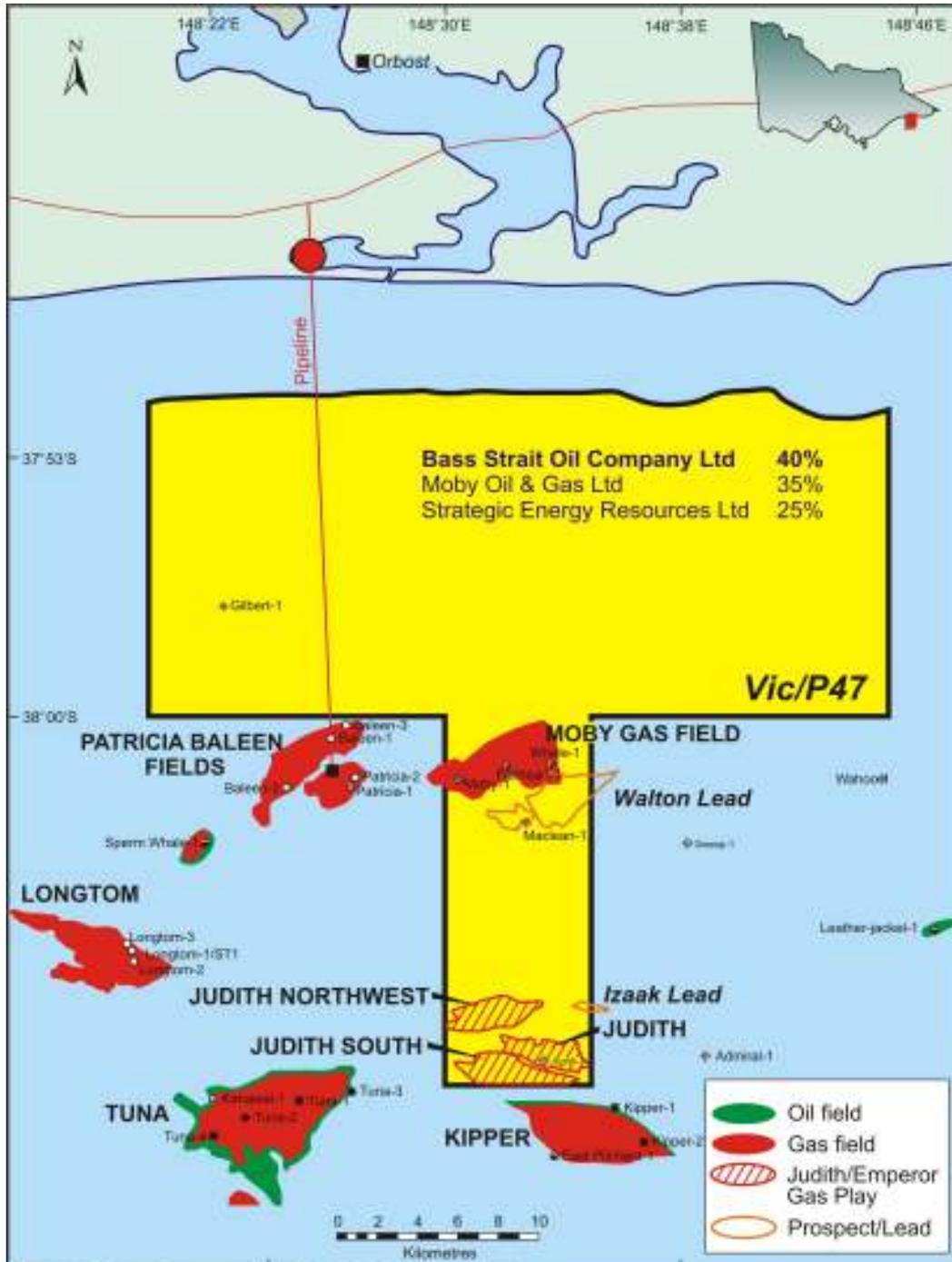
During the quarter the Gilbert Farmin and Coordination Agreement was terminated. All rights and title in the entire Vic/P47 permit now reside with the Vic/P47 Joint Venture.

Vic/P47 has entered a renewal and relinquishment process and it is anticipated that this will result in a new five year permit term in which the permit would be reduced to 50% of the original permit area. The Joint Venture expects that all prospective blocks within the original permit area will be retained.

The permit contains the Judith Gas Discovery, which was drilled by Shell in 1989, but not production tested or appraised. During June 2008, consultants Gaffney, Cline & Associates (GCA) completed an independent resource certification of the Judith Gas Discovery and associated prospects in Vic/P47. GCA reported that a gross gas column of 290 metres can be interpreted from Judith-1 electric log data and GCA's petrophysical analysis indicated 135.5 metres of net gas pay in the Judith-1 well. GCA's certification provides independent confirmation that, subject to successful appraisal, the Judith Gas Discovery has the resource volume potential to underpin a commercial development.

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The timing of any potential drilling at Judith is dependent on further appraisal studies and planning, the availability of drilling slots and on the progress of funding/farmout discussions by the Joint Venture.



Strategic Energy Resources Ltd - Vic/P47 Prospects & Leads

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**1.3 VIC/P41 - SER 25% (Diluting to 17.5% Free Carried for the drilling of the first well)
GIPPSLAND BASIN OFFSHORE VICTORIA**

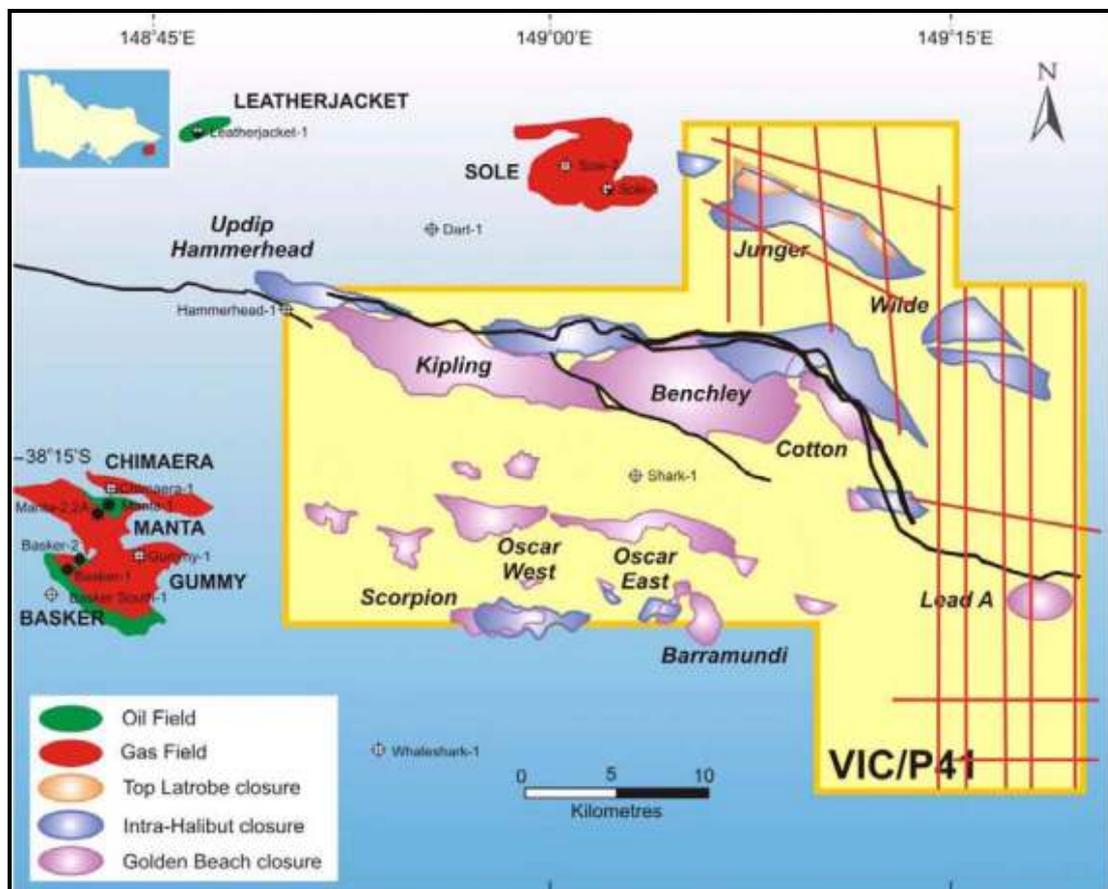
Vic/P41 is located in the offshore Gippsland Basin, approximately 40 km south of the eastern Victorian coast.

Processing and interpretation of 295 km of new 2D seismic data, acquired in the eastern part of Vic/P41 under a multi-operator “group shoot” in June 2008, and reprocessing of older data, continued during the quarter. This data will better define a number of leads in the eastern part of the block.

The operator is continuing with its efforts to attract farmin partners to earn an interest in the block by funding the drilling of prospects in the central and/or western parts of the block. These prospects are covered by 3D seismic and are ready to drill. Some of the prospects exhibit AVO responses. They lie either along the Rosedale fault and are analogous to the nearby Kipper and oil and gas field (first production 2011), or in the southern part of the block (Oscar prospects), and analogous with the producing Basker/Gummy/Manta oilfields (commenced production 2006).

Current work program commitments are mostly funded until the end of 2009 and the permit has a single well obligation by 10 September 2010.

The timing of any future drilling will be dependent on rig availability and on the progress of farmout negotiations.



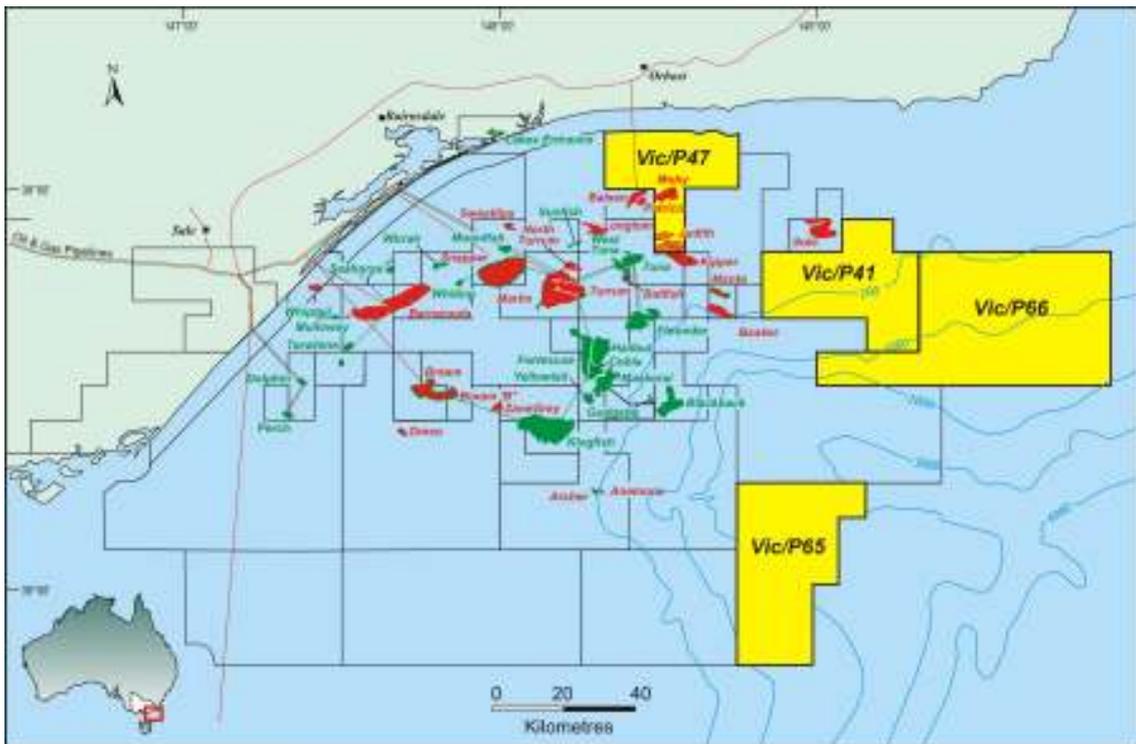
Vic/P41 Areas of Interest and New 2D Seismic Lines

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1.4 VIC/P65 OFFSHORE GIPPSLAND BASIN (SER 100%)

Vic/P65 is located in the offshore Gippsland Basin, and covers an area of approximately 1,348 square kilometres.

Interpretation of a 150 line kilometre 2D seismic survey acquired under a multi-operator “group shoot” in June 2008 is continuing. The major target in the block is a large structure located in deep water. Farmin partners will be sought to help cover costs.



1.5 VIC/P66 OFFSHORE GIPPSLAND BASIN (SER 23%)

The Vic/P66 permit covers an area of 2,160 square kilometres, approximately 50 kilometres offshore in the eastern Gippsland Basin. It spans water depth from 200 metres to over 2,000 metres all within established deepwater exploration technical limits.

The eastern area of the Gippsland containing Vic/P66 has been targeted for significant exploration in the past. Distance from established fields and infrastructure and increasing water depths are two factors that likely limited earlier exploration.

The Vic/P66 group believes that this new permit provides early-stage exploration exposure to the potential for extensions of proven Gippsland Basin plays and also for the development of new play concepts. Given the relative lack of modern seismic data and recent exploration studies in the area, the planned Vic/P66 exploration programme consists of data collection and studies in the first two years, in preparation for 2D seismic acquisition in the third permit year.

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The Vic/P66 participants have interests in Vic/P41, where similar geological concepts are being pursued.

**2. ULEY GRAPHITE MINE – PORT LINCOLN, SA
(SER 100% and diluting to 25% free carried to commercial production)**

Mikkira Graphite Pty Ltd on 17 December 2008 purported to give notice to exercise the option to acquire 75% of the project including the graphite deposits from a subsidiary of the Company. A week later, on 24 December 2008 the Company's subsidiary served notices under the agreement to Mikkira with respect to its apparent default regarding pre-agreed expenditures in respect of testing and development in the Uley Graphite Project in South Australia. Mikkira failed within the 21 days specified to properly respond and/or rectify the expenditure requirements and as a result were given notice of termination of the agreement by the Company's subsidiary on 19 January 2009.

Although Mikkira have informally disputed the termination, the Company regards the Uley Graphite Project as being now 100% available for development by the Company and its subsidiaries in South Australia.

3. MINERAL EXPLORATION

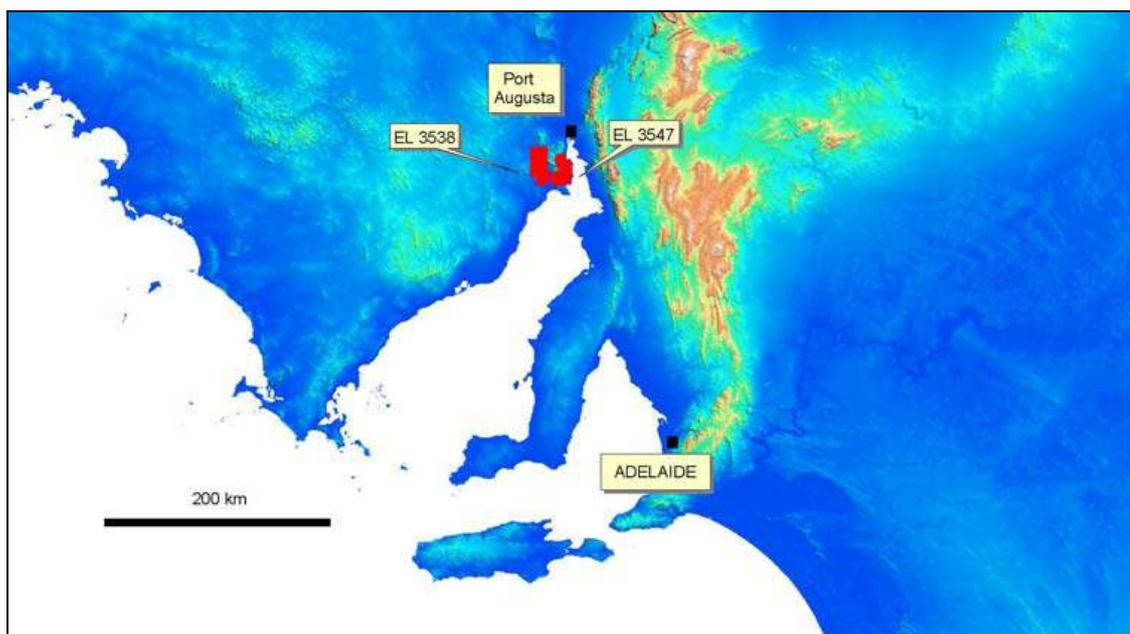
**3.1 CULTANA - EL 3547 (SER 75%)
MYALL CREEK (TREGALANA) - EL 3538 (SER 50%)
SOUTH AUSTRALIA**

Under an agreement with U Energy Pty Ltd (UEP), UEP may purchase the Company's 75% beneficial interest in EL 3547 (Cultana) and 50% beneficial interest in EL 3538 (Tregalana). UEP has acquired a 100% interest in EL 4212 formerly EL 3098 (Whyalla) which lies between the above two EL's. EL 4212 will be offered back to the Company if the agreement is not completed for nil consideration. SER is entitled to a consideration of 4 million fully paid ordinary shares in UEP upon successful completion of the agreement.

The Joint Venture provided UEP with a six month extension to meet the conditions of obtaining access permission from the Department of Defence and receiving conditional approval from the Australian Stock Exchange for its ordinary shares to be listed for quotation on the ASX.

We are advised by U Energy Pty Ltd that discussions with the relevant Federal Government departments are well advanced for the signing of a deed of access to allow the exploratory drilling within the Cultana Army Training Ground in South Australia.

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3.2 FALCON BRIDGE EL38/1970, P38-3383-4, P38/3382 - grant pending (SER 50%) WESTERN AUSTRALIA

It is anticipated that the nickel anomaly in the ultramafics will be tested when preliminary assessment and grant are completed. The Company has been offered the other 50% interest in the project area for nominal consideration. The Company is likely to proceed to acquire the 50% interest offered.

3.3 WHITFIELD EL5039 & CASTERTON EL5040 – SER 100% VICTORIA

These two tenements were applied for in 2007. EL 5039 was awarded in December 2007 and EL5040 is awaiting award. The blocks were applied for based on some conceptual idea and geological ideas. The Company will seek a third party to take over the tenements. The Company has a party that is interested in taking over the EL5040 at Casterton. However, the arrangement will unlikely proceed until some of the issues with the granting of the block are resolved. We anticipate that this will not be resolved until mid 2009.

4. CORPORATE MATTERS

4.1 NEW BOARD & COMPANY SECRETARY

The Board of the Company has been reduced to three assisting with cost savings. Two of the previous directors retired by rotation and the other incumbent directors resigned. The Company thanks the previous Board for their services.

The new Non-Executive Directors are Mr Kim McGrath and Mr Glenister Lamont, and Mr McGrath has been appointed Chairman. Mr Mark Muzzin was also appointed to the Board and as noted below became an Executive Director on appointment as Managing Director. Ms Melanie Leydin has been appointed Company Secretary.

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4.2 APPOINTMENT OF MANAGING DIRECTOR

Mr Mark Muzzin was appointed as Managing Director on 12 December 2008.

4.3 NEW REGISTERED OFFICE

The Registered Office of the Company has moved from Perth to Melbourne and is situated at Suite 304, 22 St Kilda Road, St Kilda, Victoria 3182. Our Perth office is presently being maintained. However, the Company will seek to close this office as soon as possible.

4.4 CORPORATE STRATEGY

The new Board is presently reviewing all the assets of the Company, particularly in light of the uncertainty in financial markets and the marked drop in the price of oil while the costs of hydrocarbon exploration, particularly offshore, remain high. The Board has moved to conserve the modest cash reserves and reduce costs.

An integral aspect of developing and implementing this new strategy is for the Company to immediately review its established asset base across both its oil/gas and mineral properties, its existing commercial arrangements and undertakings and based upon this review, implement as soon as possible new drivers to deliver both value and grow shareholder wealth.

The Board expects the asset review to show that a less risky strategy that accents the graphite and mineral assets to be more beneficial to the future of the Company.

4.5 CONSULTANTS

The consultancy agreement for the services of Mr Joe Salomon, including his services as an Executive Director has been cancelled by mutual agreement. The consultancy agreement for the services of Mr Ian Barr was not renewed upon expiry in November 2008, although Mr Barr may be providing some on-going services on a lesser number of days per month.

4.6 COMMERCIAL AGREEMENTS

Patersons Securities Limited

On 11 December 2008, the Company formally terminated a significant retainer arrangement with Patersons regarding strategy development. However, Patersons will be considered for future financial advice and broking services.

Oil and Gas Portfolio – Technical Services Arrangement

On 29 December 2008, the Company entered into short-term agreement with Oil Basins Limited (ASX code OBL) whereby OBL agrees to immediately provide technical services and representation services to the Company across its entire oil and gas portfolio in both the Gippsland and Cooper Basins. The initial duration is for a period of three months, which may be extended at SER's discretion. Mr McGrath, being Chairman of both companies, was not involved in the negotiation or approval of this

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agreement. This agreement gives the Company access to OBL's specific oil and gas expertise including proprietary work done in respect of Vic/P41 and its retained and contracted experts in geology, geophysics, seismic processing and analysis, with special experience in the Gippsland and Cooper Basins.



Mark Muzzin
Managing Director

Risk Factors

Various statements in this release constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, expectations, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or impliedly portrayed herein.

Furthermore, exploration for oil, gas and minerals is speculative, expensive and subject to a wide range of risks. Individual investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional advisor as to the suitability for them of an investment in the Company.

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