

For personal use only



STRATEGIC ENERGY RESOURCES LIMITED
ABN 14 051 212 429

Financial Statements
for the half-year ended 31 December 2009

STRATEGIC ENERGY RESOURCES LIMITED
ABN 14 051 212 429

CORPORATE DIRECTORY

Board of Directors

Kim W McGrath (Chairman and Non-Executive Director)
Mark A Muzzin (Managing Director)
Glenister Lamont (Non-Executive Director)

Company Secretary

Melanie J Leydin

Registered Office

Suite 304, 22 St Kilda Road
ST KILDA VIC 3182
Ph: (03) 9692 7222
Fax: (03) 9529 8057

Place of Business

Level 1, 500 Collins Street
MELBOURNE VIC 3000
Ph: (03) 9629 2330
Fax: (03) 9629 2332
Web: www.strategicenergy.com.au

Auditor

BDO Audit (NSW-VIC) Pty Ltd
The Rialto, Level 30, 525 Collins Street
MELBOURNE VIC 3000

Share Registry

Advanced Share Registry
150 Stirling Highway
NEDLANDS WA 6009
Telephone : (08) 9389 8033

Stock Exchange Listing

Home Exchange is Melbourne
ASX Code : SER

CONTENTS

	Page
Corporate Directory	1
Directors' Report	2
Independence Declaration	8
Independent Review Report	9
Directors' Declaration	11
Consolidated Statement of Comprehensive Income.....	12
Consolidated Statement of Financial Position.....	13
Consolidated Statement of Changes in Equity.....	14
Consolidated Statement of Cash Flows.....	15
Notes to the Consolidated Financial Statements.....	16

STRATEGIC ENERGY RESOURCES LIMITED
ABN 14 051 212 429

The Directors of Strategic Energy Resources Limited submit herewith the financial statements of the Company for the half year period ended 31 December 2009. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names of the Company's Directors in office during or since the end of the half-year are:

Mr K. W. McGrath

Mr M. A. Muzzin

Mr G. Lamont

REVIEW OF OPERATIONS

Financial

The Group's consolidated net loss for the half-year was \$830,630 (2008: \$1,417,077 loss).

The Group has significantly reduced employment and consulting costs over the past 12 months, together with reducing general operational costs as is evidenced in the Group's Statement of Comprehensive Income.

Exploration costs for the period were \$380,934 (2008: \$675,155) and in accordance with Group's accounting policy these were expensed.

Share based payments of \$53,400 (2008: Nil) were expensed during the period to record the fair value of options issued to the Managing Director on 29 December 2009 and approved by the shareholders at the Annual General Meeting.

The Group ends the period in a reasonably strong cash position with a cash balance of \$1,606,249 (30 June 2009: \$1,366,103).

Operations

**1.1 ULEY GRAPHITE MINE (SER 100%)
PORT LINCOLN, SA**

The Company achieved a significant milestone by gaining our first JORC compliant resource statement for the Uley Main Road graphite deposit. Another important achievement has been the upgrading of the resource for the Main Road graphite deposit.

Part of the Uley Main Road deposit has been upgraded from Inferred Resources to Indicated Resources. This milestone has added considerable value to the Project, as it provides more certainty for some of our potential partners.

Uley Main Road Resource Upgrade

In August 2009, Coffey Mining completed a JORC-compliant resource statement showing an Inferred Resource of 3.2Mt @ 9% Total Carbon. The Inferred Resource is quoted at a 3.8% Total Carbon cutoff grade. Coffey has re-validated substantial parts of the Conzinc Rio Tinto Exploration (CRAE) database, containing sample, assay and drillhole data. Recently independent contractors have re-established collar and survey control points.

Coffey Mining has reclassified portions of the 2009 Resource as Inferred for regions with a nominal 50 x 50m diamond drilling and Indicated for regions with a nominal 50m x 25m drillhole spacing.

REVIEW OF OPERATIONS (continued)

The current material changes to the Inferred Resource include the update of a bulk density model using recent density data measured to applicable Australian Standards by Coffey Information (an associated company to Coffey Mining).

<p>Table 1 Uley Main Road Graphite Deposit - January, 2010 Resource Update Based on a 3.8% Total Carbon Cut-off Ordinary Kriged Estimate using a Parent Block of 10mY by 10mE and 4mRL</p>

Classification	Lower Cutoff Grade (Total Carbon %)	Tonnage (Mt)	Average Grade (Graphitic carbon %)
Indicated	3.8	2.2	7.5
Inferred	3.8	1.8	8.9
	Total	4.0	8.1

Notes: Material changes are in bulk densities modelled (from 2.0 to 2.56g/cm³) plus drill spacing classification are the main difference between this resource statement and the August, 2009 resource statement. Estimate of global grades only. Coarse graphite % estimated at 60% of total graphite.

Future Plans

Further scope exists to improve the geological and resource estimation confidence in the regions currently defined as an Inferred Mineral Resource but only with additional infill and extensional drilling along the general regional geophysical anomaly. The Main Road resource may be upgraded in terms of size by further step-out drilling and in terms of classification by in-fill drilling.

Coffey Mining has recommended infill drilling to 100m depth below collar, incorporating six to eight HQ sized diamond drillholes, which should effectively upgrade the whole Uley Main Road resource to an Indicated Resource classification.

1.2 CULTANA (SER 75%) EL 3547
MYALL CREEK (TREGALANA) (SER 50%) EL 3538
SOUTH AUSTRALIA

A review of the previous work and a prospectivity study has been completed over the Cultana licence and a PACE application has been submitted for drilling, potentially later this year, depending on final access agreements being obtained.

A GIS (geographic information system) data base has been created and the drill hole data has been reviewed. A prospectivity study is on-going in the Myall Creek licence.

For personal use only

REVIEW OF OPERATIONS (continued)

**1.3 FALCON BRIDGE (SER 100%) E38/1970, P38/3382, P38-3383-4
WESTERN AUSTRALIA**

The formal joint venture agreement has been executed for the farmout of the Falcon Bridge Nickel Project to Ishine International Resources Ltd ("IIR"). IIR is a new mineral exploration company which successfully listed on the ASX in December 2009. The key terms being:

- Farm-in partner can earn 70% by spending \$3 million
- Minimum expenditure of \$250k in first year
- No interest earned until farminee spends \$1.5 million on tenements

Project overview

The Falcon Bridge Nickel Project consists of the following exploration tenements: E38/1970, P38/3382, P38/3383 and P38/3384 in Western Australia. The project area is on the southern ultra-mafic on regional extension of the Olympia nickel discovery made by WMC on Falcon Minerals Limited (FCN) ground.

Gravity and magnetics work has identified an anomaly in the north-western corner of the EL 38-1970 known as TGMA (Toro Grande Magnetic Anomaly). The gravity model indicates an ultra-mafic unit some 800m wide at a density of 2.6g/cc, which is supported by the aeromagnetic interpretation of a zone of thickening (approximately 2km long and about 1.3km wide) of the ultramafic sequence. The ultramafic unit does not outcrop and is completely covered by thin Cainozoic deposits of transported origin.

Early exploration, by the now free carried 5% joint venture partner, included ground mapping and stream sediment sampling followed by two rounds of drilling and a 17 hole RAB drilling program and a deeper 7 hole AC drilling program. Geochemical assays and modelling suggest a nickel anomalous zone with thickness up to 34m (Ni up to 0.76%) at shallow depth (~35m). Anomalous Cu and Co values were also recorded within the zone.

There is sufficient evidence to postulate a primary nickel sulphide occurrence in the Falconbridge TGMA target that warrants diamond drilling. The proposed exploration program will include an IP survey and an extensive drilling program.

Terms of Farm-in

Strategic Energy Resources Limited (SER) and IIR propose exploring the tenement areas for all minerals except for gold. The main exploration target being for nickel.

The conditions are that IIR is admitted to the official list of ASX Limited by 31 January 2010, and that it meets its Minimum Expenditure Obligations. The first condition has been met.

IIR would then earn up to a 70% right, title and interest in the tenements by funding exploration and development work of \$500,000 in year one, \$1,000,000 in year two and \$1,500,000 in year three.

The interests held by the participants of the project, subject to IIR meeting all the expenditure commitments, will be IIR 70%, SER 25% and Guj 5%.

For personal use only

REVIEW OF OPERATIONS (continued)

1.4 CASTERTON EL5040 (SER5%) – VICTORIA

A sale and operating agreement has been executed with Encounter Minerals Pty Ltd on EL 5040, a tenement located near Casterton in Victoria.

SER has sold a 95% interest in the exploration licence to Encounter Minerals Pty Ltd for a 5% free-carried interest for the first 5 years of the permit or the first \$600,000 of expenditure on the work program, whichever occurs first.

Encounter Minerals Pty Ltd has also reimbursed SER for back-costs associated in acquiring the exploration licence.

**1.5 PEL-182 - (SER 37.6%)
ONSHORE PETROLEUM EXPLORATION – COOPER BASIN, SA**

Further technical review is ongoing.

We have a dispute with a joint venture participant, Australian Oil Company No.2 Pty Ltd, with respect to its compliance with the terms of its farm-in agreement with our Company, and are working to resolve this using the appropriate joint venture procedures.

**1.6 VIC/P47 – (SER25%)
OFFSHORE GIPPSLAND BASIN**

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.

The Vic/P47 joint venture has been formally granted a new five year renewal term for permit Vic/P47. The Vic/P47 joint venture has met or exceeded all permits commitments during the first six year permit term. The minimum work requirements for the renewal term are modest, with only seismic reprocessing and studies committed in the first three years.

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.

The Vic/P47 joint venture is currently seeking farm-in parties to fund the forward exploration programme and has attracted interest. While no offers have been received to date, evaluation and assessment by third parties is continuing.

For personal use only

REVIEW OF OPERATIONS (continued)

1.7 VIC/P41 – (SER 25%)

OFFSHORE GIPPSLAND BASIN

Possibly diluting to 17.5% - Potentially Free Carried for the drilling of the first well

Vic/P41 is located in the offshore Gippsland Basin, approximately 40 km south of the eastern Victorian coast and is 1,079 square kilometres in area.

Vic/P41 contains a number of large prospects defined on 3D seismic and which are located on extensions of two proven Gippsland Basin trends:

- The eastward trending extension of the Rosedale Fault system sets up prospects analogous to the Kipper oil and gas field (first production scheduled for 2011 for ESSO et al). Key prospects on this trend are:

Kipling – assessed as having P50 recoverable prospective resources of 124 million barrels of oil and 620 billion cubic feet of gas.

Benchley – assessed as having P50 recoverable prospective resources of 184 million barrels of oil and 1.4 trillion cubic feet of gas.

Lead A in the east of the permit is mapped on 2D seismic as a significant feature.

- Further south in the permit, a second trend extension sets up plays that are analogous to the Basker/Manta/Gummy oil and gas fields (in production since December 2006 for ROC et al). Along the trend, the Oscar prospects are defined on 3D seismic and are assessed as having combined P50 recoverable prospective resources of over 40 million barrels of oil.

The scale of potential discoveries at these and other Vic/P41 prospects and leads is significant.

The Vic/P41 joint venture is currently seeking farmin parties to fund the forward exploration programme in the permit.

The joint venture has been successful in its application to vary the permit commitment.

1.8 VIC/P65 (SER 100%)

OFFSHORE GIPPSLAND BASIN

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. As reported last quarter a major international oil company has shown interest in a potential joint venture and has been forwarded all the available data on the block. The Company has put together a farmout package and has short listed a number of deep water specialist companies who have the expertise in drilling in water depths encountered in our block. We are seeking to find a joint venture partner to fund the forward exploration programme in this permit.

Our request for a suspension and extension is still under review by the Victorian Department of Primary Industry.

For personal use only

REVIEW OF OPERATIONS (continued)

**1.9 VIC/P66 (SER 23%)
OFFSHORE GIPPSLAND BASIN**

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.

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

2.0 CORPORATE MATTERS

A successful placement of 33 million new ordinary shares was made with 'Sophisticated Investors' and 'Professional Investors' at A\$0.025 per share to raise \$825,000. The placement was undertaken at recent market prices, indicating support for the company's current plans.

Subscribers to the placement include new investors, together with additional investment from a number of current shareholders. No costs were associated with the issue. The share issue is within the company's 15% capacity.

The placement will ensure SER is funded to meet our current exploration program and to pursue additional value creating projects.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporations Act 2001* in relation to the review of the half-year is included on page 8.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Kim Warren McGrath
Chairman
MELBOURNE, 11 March, 2010

For personal use only

DECLARATION OF INDEPENDENCE BY NICHOLAS E. BURNE TO THE DIRECTORS OF STRATEGIC ENERGY RESOURCES LIMITED

As lead auditor for the review of Strategic Energy Resources Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Strategic Energy Resources Limited and the entities it controlled during the period.



Nicholas E. Burne

Director

BDO Audit (NSW-VIC) Pty Ltd

11 March 2010

For personal use only

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Strategic Energy Resources Limited

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's review report relates to the financial report of Strategic Energy Resources Limited for the half year ended 31 December 2009 included on Strategic Energy Resources Limited's web site. The company's directors are responsible for the integrity of Strategic Energy Resources Limited's web site. We have not been engaged to report on the integrity of Strategic Energy Resources Limited's web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Strategic Energy Resources Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies' other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Strategic Energy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

For personal use only

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

Conclusion Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Strategic Energy Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the group's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the going concern of the company is dependent upon it maintaining sufficient funds for its operations and commitments and it may need to raise additional capital when further funding is required for its programs. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.



BDO Audit (NSW-VIC) Pty Ltd



Nicholas E. Burne
Director

Melbourne, 11th March 2010

For personal use only

DIRECTORS' DECLARATION

The Directors declare that:

- (a) The financial statements and notes set out on pages 12 to 19 are in accordance with the Corporations Act 2001 and:
- (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
- (b) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Kim Warren McGrath
Chairman

MELBOURNE, 11 March, 2010

For personal use only

STRATEGIC ENERGY RESOURCES LIMITED
ABN 14 051 212 429

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated	
	Half Year Ended 31 December 2009	Half Year Ended 31 December 2008
	\$	\$
Continuing operations		
Revenue	44,719	90,302
Depreciation of plant & equipment	(7,998)	(14,136)
Exploration expenditure written off	(380,934)	(675,155)
Rent expenses	(54,686)	(71,017)
Profit/(loss) disposal of assets	-	866
Provision for doubtful debts	-	(935)
Employment costs	(173,602)	(221,248)
Consulting costs	(67,610)	(252,116)
Legal costs	(40,904)	(6,445)
Insurance costs	(18,653)	(11,354)
Annual report costs	(19,906)	(17,333)
Share based payments	(53,400)	-
Change in market value of investments held for trade	17,254	(92,978)
Loss on sale of available for sale investment	(1,700)	-
Other expenses	(73,210)	(145,528)
Loss before income tax	(830,630)	(1,417,077)
Income tax expense	-	-
Loss for the period	(830,630)	(1,417,077)
Other comprehensive income		
Available for sale investment	(9,800)	(14,500)
Total comprehensive income for the period	(840,430)	(1,431,577)
	Cents per Share	Cents per Share
Loss per Share		
Basic loss per share	(0.28)	(0.49)
Diluted loss per share	(0.28)	(0.49)

This statement is to be read in conjunction with the notes to the financial statement

For personal use only

STRATEGIC ENERGY RESOURCES LIMITED
ABN 14 051 212 429

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Consolidated	
	Half Year Ended	Financial Year
	31 December	Ended 30 June
	2009	2009
	\$	\$
Current Assets		
Cash and cash equivalents	1,606,249	1,366,013
Trade and other receivables	35,576	23,671
Other current assets	8,643	56,679
Other financial assets	-	80,417
Total Current Assets	<u>1,650,468</u>	<u>1,526,780</u>
Non-Current Assets		
Plant and equipment	48,543	59,205
Other financial assets	47,671	-
Other non-current assets	9,180	-
Total Non-Current Assets	<u>105,394</u>	<u>59,205</u>
Total Assets	<u>1,755,862</u>	<u>1,585,985</u>
Current Liabilities		
Trade and other payables	187,393	70,096
Provisions	18,623	-
Total Current Liabilities	<u>206,016</u>	<u>70,096</u>
Total Liabilities	<u>206,016</u>	<u>70,096</u>
Net Assets	<u>1,549,846</u>	<u>1,515,889</u>
Equity		
Issued capital	27,089,912	26,268,925
Reserves	387,387	343,787
Accumulated losses	(25,927,453)	(25,096,823)
Total Equity	<u>1,549,846</u>	<u>1,515,889</u>

This statement is to be read in conjunction with the notes to the financial statement

For personal use only

STRATEGIC ENERGY RESOURCES LIMITED
ABN 14 051 212 429

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Consolidated

	Issued Capital	Retained Earnings	Other reserves	Total
Balance as at 1 July 2008	26,268,925	(23,279,010)	589,144	3,579,059
Net gains on available for sale investments	-	-	(14,500)	(14,500)
Profit/(loss) for the period	-	(1,417,077)	-	(1,417,077)
Total comprehensive income for the period	-	(1,417,077)	(14,500)	(1,431,577)
Balance as at 31 December 2008	26,268,925	(24,696,087)	574,644	2,147,482
Balance as at 1 July 2009	26,268,925	(25,096,823)	343,787	1,515,889
Profit/(loss) for the period	-	(830,630)	-	(830,630)
Sale of available for sale investment	-	-	(9,800)	(9,800)
Total comprehensive income for the period	-	(830,630)	(9,800)	(840,430)
Transactions with owners in their capacity as owners				
Issue of shares	825,000	-	-	825,000
Issue of options	-	-	53,400	53,400
Costs of capital raising	(4,013)	-	-	(4,013)
Balance as at 31 December 2009	27,089,912	(25,927,453)	387,387	1,549,846

This statement is to be read in conjunction with the notes to the financial statement

STRATEGIC ENERGY RESOURCES LIMITED
ABN 14 051 212 429

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated	
	Half Year Ended 31 December 2009	Half Year Ended 31 December 2008
	\$	\$
Cash flows from operating activities		
Management fees received	-	225,595
Receipts from customers	6,875	-
Interest received	29,869	94,779
Refund of bank guarantee	45,649	-
Payments to suppliers and employees	<u>(713,644)</u>	<u>(1,826,940)</u>
Net cash used in operating activities	<u>(631,251)</u>	<u>(1,506,566)</u>
Cash flows from investing activities		
Proceeds from sale of plant	-	8,000
Payments for plant and equipment	-	(28,180)
Proceeds from sale of investment	38,500	-
Proceeds from sale of interest in mining tenement	<u>12,000</u>	<u>-</u>
Net cash provided by investing activities	<u>50,500</u>	<u>(20,180)</u>
Cash flows from financing activities		
Proceeds from capital raising	825,000	-
Costs of capital raising	<u>(4,013)</u>	<u>-</u>
Net cash provided by financing activities	<u>820,987</u>	<u>-</u>
Net Increase/(Decrease) in cash and cash equivalents	<u>240,236</u>	<u>(1,526,746)</u>
Cash and cash equivalents at beginning of the financial period	<u>1,366,013</u>	<u>3,813,961</u>
Cash and cash equivalents at the end of the financial period	<u><u>1,606,249</u></u>	<u><u>2,287,215</u></u>

This statement is to be read in conjunction with the notes to the financial statement

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134: *Interim Financial Reporting*. Compliance with AASB134 ensured compliance with International Financial Reporting Standard IAS34: *Interim Financial Reporting*.

The half-year consolidated financial statements do not include all notes of the type normally included within the annual financial statements and therefore, cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements.

The half-year financial statements should be read in conjunction with the Annual Financial Report of Strategic Energy Resources Limited as at 30 June 2009. It is also recommended that the half-year financial statements be considered together with any public announcements made by Strategic Energy Resources Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporation Act 2001.

Basis of preparation accounting policies

The condensed financial statements have been prepared on the basis of historical costs, except for the revaluation of selected non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the company's 2009 annual financial report for the financial year ended 30 June 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

AASB8: Operating Segments
AASB101: Presentation of Financial Statements

- **Presentation of the financial statements.** The Group applies revised AASB 101 *Presentation of Financial Statements* (2007) which became effective as of 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has applied in these interim financial statements as of and for the six months ended 31 December 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Information about the Group's segments.** The adoption of AASB 8: *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* has resulted in both a re-designation of the Group's reportable segments and amended segment disclosures

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and realization of assets and settlement of liabilities in the ordinary course of business. The going concern of the Company is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to monitor the ongoing funding requirements of the Company. The Directors are confident that sufficient funds can be secured if required by a combination of capital raising, sale of assets or farm-outs to enable the Company to continue as a going concern and as such are of the opinion that the financial statements have been appropriately prepared on a going concern basis.

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. The half-year financial period refers to 1 July 2009 to 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ISSUE OF EQUITY SECURITIES

The issue of equity securities for the half year period are set out below:

	Consolidated			
	Half Year Ended 31 December 2009		Financial Year Ended 30 June 2009	
	No	\$	No	\$
Issued Capital				
Balance at beginning of period	288,222,501	26,268,925	288,222,501	26,268,925
Issue of shares to sophisticated and professional investors	33,000,000	825,000	-	-
Costs of capital raising	-	(4,013)	-	-
Balance at the end of the period	321,222,501	27,089,912	288,222,501	26,268,925

	Half Year Ended 31 December 2009	Financial Year Ended 30 June 2009
Options		
Balance at beginning of period	13,250,000	111,182,843
Granted during the period	10,000,000	-
Lapsed during the period	-	(88,932,843)
Cancelled during the period	-	(9,000,000)
Balance at the end of the period	23,250,000	13,250,000

During the half-year the following options were issued to the Managing Director, Mr Mark Muzzin:

- 3,000,000 options exercisable at an issue price of \$0.04 on or before 30 June 2014
- 2,000,000 options exercisable at an issue price of \$0.05 on or before 30 June 2014
- 2,500,000 options exercisable at an issue price of \$0.06 on or before 30 June 2014
- 2,500,000 options exercisable at an issue price of \$0.08 on or before 30 June 2014

3. INCORPORATION OF NEW ENTITY

A new group company, Eagle Oil & Gas Pty Ltd was incorporated on 2 December 2009. The company was incorporated in Australia and the parent equity holding is 100%.

4. COMMITMENTS FOR EXPENDITURE

There have been no material changes to commitments for expenditure since the Company's annual financial report for the financial year ended 30 June 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SUBSEQUENT EVENTS

There has been no matter or circumstance that has arisen since the date of these statements which has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

6. SEGMENT INFORMATION

Accounting Policies

The group has adopted AASB 8 *Operating Segments* with effect from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the board of directors. Twelve times a year the board is provided management information at a group level for the group's statement of comprehensive income, statement of financial position, the carrying values of exploration permits and a group cash position. On this basis, no segment information is included in these financial statements.

For personal use only