

Strategic Energy Resources Limited

ABN 14 051 212 429

Annual Report - 30 June 2021

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Strategic Energy Resources Limited
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30 June 2021



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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 17 November 2021.
Registered office	Level 4, 100 Albert Road South Melbourne, VIC 3205 Ph: (03) 9692 7222 Fax: (03) 9077 9233
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 Collins Square, Tower 5 727 Collins Street Melbourne, VIC 3008
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 FY2020-21

SER's goal is the discovery of major copper-gold deposits which we pursue as a specialised undercover mineral explorer and project generator. During the financial year, we advanced our strategy of "Discovery via Drilling" and "Discovery via Partnership" while continuing to generate valuable new mineral projects.

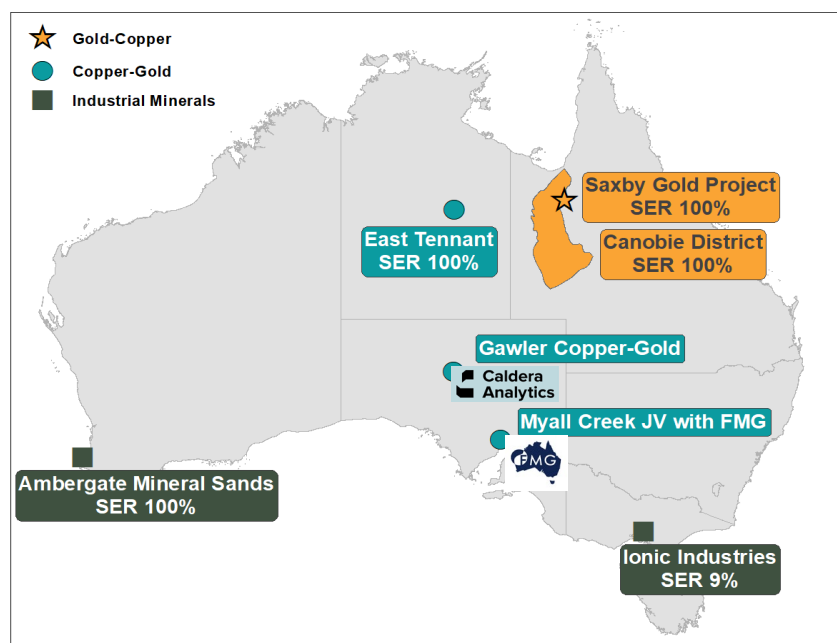


Figure 1: SER Project Locations

At **East Tennant** SER completed several detailed ground gravity surveys to reveal multiple compelling Iron Oxide Copper-Gold (IOCG) targets within our exploration licenses, and two further targets that were subsequently pegged. SER was awarded a Northern Territory Government grant to co-fund a two-hole drill program to test one of these targets. Drilling preparations are complete with drilling to commence shortly.

The broader East Tennant region saw the Mineral Exploration Cooperative Research Centre (MinEx CRC) National Drilling Initiative complete a stratigraphic drill campaign of 10 diamond holes to assess the mineral potential of basement rocks in the region. The drilling program identified rocks of the right age to host mineralisation and uncovered evidence for key mineralising processes, such as the presence of major structures, hydrothermal alteration and base metal sulphides.

A diamond drilling program was conducted at the Saxby prospect within SER's **Canobie** project to test for extensions of previously reported high grade gold results. Although the results suggest Saxby is likely sub-economic, SER is convinced of the prospectivity of the broader district and has secured the entire belt with multiple compelling targets to be tested.

A wide-reaching SER review of precompetitive data from northwest Queensland identified three prospective exploration licenses held by Newcrest in the northern extension of the Mt Isa Province Western Fold Belt. These licences are in proximity to several large deposits including the Mt Isa, Mt Oxide and Gunpowder deposits. SER was able to acquire these tenements, known as **Isa North Project**, from Newcrest for nil cash consideration (Newcrest retain a first right of refusal on any future sale). Review of Newcrest exploration data has identified IOCG alteration and pathfinder elements in drill core that indicates the outer halo of a potential IOCG system, a possible 'near miss'.

At our **Gawler Craton Projects** in South Australia, our joint venture partner Fortescue Metals Group (FMG) continued to advance Native Title discussions required before on ground activities can commence. A strategic partnership was entered into with Caldera Analytics, an award-winning data science company, which lead to a joint venture covering an exploration area at Mabel Creek, identified as part of the 2020 South Australian Government ExploreSA Gawler Challenge.

In **New South Wales**, SER was awarded two key exploration projects at South Cobar and East Cowlal, both covering extensions from known mineralisation of the Browns Reef deposit and the Cowlal gold mine respectively. Exploration began in earnest with the commissioning of an airborne magnetic and radiometric survey with results expected shortly.

In **Western Australia**, SER continued to advance our plans to upgrade the Heavy Mineral Sands resource at our Ambergate project. Results from an internal techno-economic analysis concluded that this asset has enormous potential and SER is committed to upgrading the resource in the coming year.

SER **rationalised our tenement package** with the sale of the Benmara tenement in the Northern Territory to Resolution Minerals for the consideration of 2.5M RML shares as an option fee with a further \$250,000 in shares or cash should RML exercise the option. This strengthens **SER's non-cash assets** which also includes 58,031 shares in Vox Royalty (TSXV:VOX) and 87,155,625 (6.5%) shares in Ionic Industries. SER's held \$2m in cash at financial year end.

At a corporate level, SER raised \$2.2m and made several key appointments:

- **Dr David DeTata** was appointed Managing Director. Dr DeTata is an accomplished scientist and exploration executive who has been instrumental in forming and executing SER's strategy of Copper-Gold Discovery. David sits on the MinEx CRC Science Advisory Committee and has been critical in identifying and securing SER's pipeline of highly prospective greenfields exploration projects.
- **Mr Anthony McIntosh** was appointed to the board as a Non-Executive Director bringing extensive experience in investor relations, marketing and strategic planning along with a network of stockbroker and fund manager supporters.
- **Dr Chris Yeats**, former Executive Director of the Geological Survey of NSW, was appointed to lead SER's NSW exploration program. Dr Yates is an ore deposit geologist and geochemist with 30 years' exploration experience.

The SER team are all major shareholders of the Company and are alongside you for what will be an exciting next twelve months. We thank all shareholders for their continued support and look forward to an exciting year ahead.



Stuart Rechner
Executive Chairman

STATEMENT OF MINERAL RESOURCES

SER publicly reports Exploration Results and Mineral Resource estimates in accordance with the ASX Listing Rules and the requirements and guidelines of the 2012 edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves – the JORC Code.

SER's governance for public reporting of Exploration Results and Mineral Resource estimates includes important assurance measures. All reports are signed-off by appropriate JORC Competent Persons with JORC Code Table 1 Checklists as required. Exploration Results and Mineral Resource estimates are also peer reviewed (either by SER technical staff or suitably qualified external consultants) before Board approval and ASX release.

Table 1: SER Statement of Mineral Resources at 30 June 2021 (no changes since 30 June 2020)

Ambergate Heavy Mineral Sands Mineral Resource estimate				
Low grade HM cut-off (%)	Inferred			
	(Mt)	HM (%)	Slimes (%)	Total HM (kt)
3.0	11.2	5.1	13.6	569

The Ambergate Mineral Resource estimate is calculated with a low grade Heavy Mineral cut-off of 3% and Slimes cut off of <22%. The heavy mineral assemblage at Ambergate includes: 73% ilmenite (average TiO₂ content of 58.7%), 12% leucosene, 12% zircon, 0.6% monazite and 2% other minerals. The Ambergate mineral resource was produced by an independent Mineral Resource Estimation Study conducted by SRK Consulting who have no beneficial interest in the outcome of the technical assessment.

COMPETENT PERSON STATEMENTS

The information in this report that relates to Exploration Results and overall Annual Report Compilation is based on information compiled by Mr Stuart Rechner BSc (Geology) MAIG MAusIMM, a Member of Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy. Mr Rechner is a Director and shareholder of Strategic Energy Resources Ltd. Mr Rechner has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Rechner consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this statement that relates to the Mineral Resource Estimates is based on work conducted by David Slater of SRK Consulting (Australasia) Pty Ltd. David Slater takes responsibility for the Mineral Resource Estimate. David Slater is a Member of The Australian Institute of Mining and Metallurgy (AusIMM) and a member of the Australian Institute of Geologists (AIG) and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activities undertaken, to qualify as Competent Person in terms of the Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 edition). David Slater consents to the inclusion of such information in this report in the form and context in which it appears.

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 2021.

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 (appointed as Managing Director on 1 July 2021, resigned as Non-Executive Director on 1 July 2021)

Mr Anthony McIntosh - Non-Executive Director (appointed as Non-Executive Director on 7 October 2020)

Mr Harvey Kaplan - Non-Executive Director (resigned as Non-Executive Director on 7 October 2020)

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 \$2,265,126 (30 June 2020: \$425,684).

Operating expenses for the year was \$2,649,811 (2020: \$553,431). Corporate expenses amounted to \$298,267 (2020: \$220,243) resulting from continuing operations. Employee benefit expenses amounted to \$170,512 (2020: \$144,485). A total of 9,800,000 unlisted options were issued to Directors and Employees during the year (2020: 2,000,000) and the Consolidated Entity recognised share based payment expenses of \$405,200 (2020: \$62,263). The Consolidated Entity incurred \$343,047 (2020: \$83,575) 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 \$1,390,893 (2020: Nil) which were in relation to tenements which are either relinquished or identified as commercially not viable.

The net assets of the Consolidated Entity increased by \$2,250,025 to \$4,796,404 (2020: \$2,546,379) as at 30 June 2021. The movements during the year was largely due to the capital raised during the year amounting to \$3,520,455 (net of transaction costs) and losses from operations amounting to \$2,265,126. Working capital, being current assets less current liabilities, increased by \$1,106,090 to \$2,007,309 (2020: \$901,219). The Consolidated Entity had a net cash outflows from operating activities for the period of \$727,897 (2020: \$412,753).

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 12 August 2020, the Company issued 41,250,000 fully paid ordinary shares at an issue price of \$0.034 (3.4 cents) per Share to professional, sophisticated and other exempt investors pursuant to the approval of shareholders granted on 10 August 2020*.

In addition, on the same day the Company completed Unmarketable Parcel Share Sale Facility of fully paid ordinary shares for shareholders who hold less than a marketable parcel of shares.

On 12 August 2020, the Company issued 200,000 unlisted options expiring on 12 December 2022 at an exercise price of \$0.10 (10 cents) per option*.

On 3 September 2020, the Company completed the consolidation of its share capital on a 10 to 1 basis, with fractional elements rounded up to the nearest whole number. The share capital consolidation was approved by shareholders at its General Meeting held on 10 August 2020.

On 7 October 2020, Mr Harvey Kaplan, Non-executive Director, tendered his resignation and was replaced by Mr Anthony McIntosh as a Non-executive Director.

On 4 December 2020, the Company issued 9,600,000 Unlisted Options to current and former directors. The Options had an exercise price of \$0.10 (10 cents) and expire on 4 December 2023.

On 15 December 2020, the Company signed a binding term sheet with Resolution Minerals Ltd (ASX: RML) for a 12-month Option to purchase EL32228 which covers 663km² in the Northern Territory on Benmara Station (Tenement). RML has a 12-month Option to purchase a 100% interest in the Tenement and associated information from SER. During the Option Period, RML will be required to keep the tenement in good standing and have the tenement granted prior to the 2021 field season. The Consideration for the Option is 2,500,000 RML shares and to exercise the Option, RML shall pay SER \$250,000 in RML shares or cash, at RML's election.

On 3 February 2021, the Company issued 40,000,050 fully paid ordinary shares at an issue price of \$0.043 (4.3 cents) per Share to professional, sophisticated and other exempt investors.

On 22 March 2021, the Company issued a total of 12,639,534 fully paid ordinary shares to professional, sophisticated and other exempt investors (including 3,825,581 Shares to Directors of the Company), at an issue price of \$0.043 (4.3 cents) per Share.

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

**On 3 September 2020, the Company completed the consolidation of its share capital on a 10 to 1 basis, which was approved by shareholders at its General Meeting held on 10 August 2020. Number of shares, options and share price for the events prior to this date are adjusted to reflect the share capital consolidation.*

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2021 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.

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 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 responsible for the resources sector with postings to Beijing and Jakarta.
Other current directorships: Kingston Resources Limited (ASX: KSN)
Former directorships (last 3 years): None
Interests in shares: 4,000,000 fully paid ordinary shares
Interests in options: 1,000,000 Unlisted Options, exercise price \$0.10 (10 cents), expiring 12 December 2022
4,000,000 Unlisted Options, exercise price \$0.10 (10 cents), expiring 4 December 2023

Name: Dr David DeTata
Title: Managing Director (appointed as Managing Director on 1 July 2021)
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 Copper-Gold 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: 3,000,000 fully paid ordinary shares
Interests in options: 3,000,000 Unlisted Options, exercise price \$0.10 (10 cents), expiring 4 December 2023
800,000 Unlisted Options, exercise price \$0.10 (10 cents), expiring 12 December 2022

Name: Mr Anthony McIntosh
Title: Non-Executive Director (appointed 7 October 2020)
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: Alice Queen Limited (ASX: AQX), Copper Strike Limited (ASX: CSE)
Former directorships (last 3 years): None
Interests in shares: 3,435,581 Fully paid ordinary shares
Interests in options: 2,000,000 Unlisted Options, exercise price \$0.10 (10 cents), expiring 4 December 2023

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 - appointed as company secretary on 1 July 2021

Mr Watkins is a Chartered Accountant at the Company Secretarial and Accounting firm Leydin Freyer with over 8 years of experience in accounting and secretarial services for ASX listed companies. Mr Watkins' extensive experience includes ASX compliance, corporate governance control and implementation, statutory financial reporting and Board and secretarial support.

Ms Melanie Leydin - resigned as company secretary on 1 July 2021

Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial profession and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. Ms Leydin is a Chartered Accountant and a Registered Company Auditor. Since February 2000, Ms Leydin has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies specialising in ASX listed entities. Ms Leydin resigned as company secretary on 1 July 2021 but will continue to support the Company via Leydin Freyer

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Full Board* Attended	Full Board Held
Mr S Rechner	5	5
Mr A McIntosh	4	4
Mr D DeTata	5	5
Mr H Kaplan	1	1

* There are no sub-committees.

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:

- base pay
- share-based payments

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 are not directly linked to the performance, share price or earnings of the Consolidated Entity.

Non-Executive Directors and executives were granted 9,600,000 options over shares during the financial year (2020: 2,000,000). 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 18 November 2020 Annual General Meeting ('AGM')

The Company received 98.65% of 'for' votes in relation to its remuneration report for the year ended 30 June 2020. 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 (resigned as Non-Executive Director on 1 July 2021 and appointed as Managing Director on 1 July 2021)
- Mr Anthony McIntosh - Non-Executive Director (appointed as Non-Executive Director on 7 October 2020)
- Mr Harvey Kaplan - Non-Executive Director (resigned as Non-Executive Director on 7 October 2020)

	Short-term benefits	Post-employment benefits	Share-based payments	
	Cash salary and fees	Super-annuation	Equity (options) settled	Total
	\$	\$	\$	\$
30 June 2021				
<i>Non-Executive Directors:</i>				
Mr H Kaplan*	11,403	1,083	(72,427)	(59,941)
Mr D DeTata**	113,631	10,795	30,293	154,719
Mr A McIntosh	31,800	3,021	82,200	117,021
<i>Executive Directors:</i>				
Mr S Rechner***	300,000	5,700	59,767	365,467
	<u>456,834</u>	<u>20,599</u>	<u>99,833</u>	<u>577,266</u>

* Mr H Kaplan resigned from the board on 7 October 2020.

** Dr D DeTata's cash salaries includes consulting fees of \$77,998 (including superannuation), for various geological and administrative services offered to the Company during the year.

*** Included in cash salary and fees are \$65,700 of director fees (including superannuation) and \$240,000 for geological services provided by Diplomatic Exploration Pty Ltd (an entity associated with Mr S Rechner). Geological services provided include personnel, vehicles, field equipment and specialised software.

	Short-term benefits	Post-employment benefits	Share-based payments	
	Cash salary and fees	Super-annuation	Equity (options)-settled	Total
	\$	\$	\$	\$
30 June 2020				
<i>Non-Executive Directors:</i>				
Mr D DeTata**	75,615	7,184	24,905	107,704
Mr H Kaplan	40,000	3,800	6,226	50,026
<i>Executive Directors:</i>				
Mr S Rechner*	290,000	4,750	31,132	325,882
	<u>405,615</u>	<u>15,734</u>	<u>62,263</u>	<u>483,612</u>

* Included in cash salary and fees are \$39,000 of consulting fees (including superannuation), for various geological and administrative services offered to the Company during the year.

** Included in cash salary and fees are \$54,750 of director fees (excluding superannuation) and \$240,000 for geological services provided by Diplomatic Exploration Pty Ltd (an entity associated with Mr S Rechner). Geological services provided include personnel, vehicles, field equipment and specialised software.

Name	Fixed remuneration		At risk - LTI	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
<i>Non-Executive Directors:</i>				
Dr D DeTata	80%	77%	20%	23%
Mr H Kaplan*	100%	88%	-	12%
Mr A McIntosh	30%	-	70%	-
<i>Executive Directors:</i>				
Stuart Rechner	84%	90%	16%	10%

* Mr H Kaplan resigned from the board on 7 October 2020. Mr H Kaplan's remuneration % are negative due to fair value of lapsed options being greater than the fair value of options granted during the period.

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 \$264,000 per annum (inclusive of statutory superannuation). The executive can terminate the agreement with three (3) months' notice. The Company can terminate the agreement with three (3) 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 \$1,200 per day. It is expected that the services would be provided totalling approximately 4 days per month however can increase by mutual agreement. The Company may terminate the agreement by giving two (2) months' notice in writing. Mr S Rechner can terminate the agreement by giving two (2) months' notice.

*Prior to 30 June 2021, Mr S Rechner was contracted to provide geological and technical services to the Consolidated Entity, and was remunerated on a daily rate. Please refer to the remuneration details for Mr S Rechner's remuneration for financial year ended 30 June 2021.

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 2021 (2020: Nil).

Options

Shareholder approval date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
25 November 2019	17 December 2019	12 December 2022	\$0.1000	\$0.030
18 November 2020	4 December 2020	4 December 2023	\$0.1000	\$0.041
18 November 2020	4 December 2020	12 December 2022	\$0.1000	\$0.034

The Company issued 9,600,000 options over ordinary shares to the current and former directors during the financial year for their services as directors (2020: 2,000,000). During the period a total of 6,250,000 options over ordinary shares were cancelled. The cancelled options over ordinary shares were in relation to the current and a former directors.

Options issued during the financial year have been valued using the black scholes method and the Consolidated Entity recognised share based payment expenses of \$390,480 (2020: \$62,263) in relation to these executive options. The options issued to Directors during the financial year did not have any service or performance conditions attached and vested immediately. 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 2021 are set out below:

Name	Number of options granted during the year	Number of options granted during the year	Number of options vested during the year	Number of options vested during the year
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Stuart Rechner	4,000,000	1,000,000	4,000,000	1,000,000
Harvey Kaplan*	600,000	200,000	600,000	200,000
David DeTata	3,000,000	800,000	3,000,000	800,000
Anthony McIntosh	2,000,000	-	2,000,000	-

* Mr H Kaplan resigned from the board on 7 October 2020.

Values of options over ordinary shares granted, exercised and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration* consisting of options for the year
	\$	\$	\$	%
Anthony McIntosh	82,200	-	-	70%
David Detata	123,300	-	(93,007)	20%
Harvey Kaplan*	20,580	-	(93,007)	(121%)
Stuart Rechner	164,400	-	(104,633)	16%

* Mr H Kaplan resigned from the board on 7 October 2020. Mr H Kaplan's remuneration % are negative due to fair value of lapsed options being greater than the fair value of options granted during the period.

Performance rights

There were no performance rights over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021.

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 2021.

*On 3 September 2020, the Company completed the consolidation of its share capital on a 10 to 1 basis, which was approved by shareholders at its General Meeting held on 10 August 2020. Number of shares, share price and earning per share for the comparative periods are adjusted to reflect the share capital consolidation.

Additional information

The earnings of the Consolidated Entity for the five years to 30 June 2021 are summarised below:

	2021 \$	2020 \$	2019 \$	2018 \$	2017 \$
Interest and other income	384,685	127,747	24,784	40,177	4,194
Profit/(loss) before income tax	(2,265,126)	(425,684)	(694,845)	(766,260)	(514,637)
Profit/(loss) after income tax	(2,265,126)	(425,684)	(694,845)	(766,260)	(514,637)

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

	2021	2020	2019	2018	2017
Share price at financial year end (\$)	0.053	0.050	0.060	0.040	0.050
Loss per share (cents per share)	(1.295)	(0.044)	(0.780)	(0.980)	(0.145)

*On 3 September 2020, the Company completed the consolidation of its share capital on a 10 to 1 basis, which was approved by shareholders at its General Meeting held on 10 August 2020. Number of shares, share price and earning per share for the comparative periods are adjusted to reflect the share capital consolidation.

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
Ordinary shares					
Mr S Rechner	2,200,000	-	1,800,000	-	4,000,000
Mr H Kaplan*	-	-	1,000,000	(1,000,000)	-
Dr D DeTata	1,500,000	-	1,500,000	-	3,000,000
Mr A McIntosh**	500,000	-	2,935,581	-	3,435,581
	4,200,000	-	7,235,581	(1,000,000)	10,435,581

* Mr H Kaplan resigned from the board on 7 October 2020. Consequently his shares / options were removed from the table.

** Mr A McIntosh appointed to the board on 7 October 2020. Opening shares includes shares held with the Company prior to the appointment as Director.

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
Options over ordinary shares					
Mr S Rechner	3,250,000	4,000,000	-	(2,250,000)	5,000,000
Mr H Kaplan*	2,200,000	600,000	-	(2,800,000)	-
Dr D DeTata	2,800,000	3,000,000	-	(2,000,000)	3,800,000
Mr A McIntosh	-	2,000,000	-	-	2,000,000
	8,250,000	9,600,000	-	(7,050,000)	10,800,000

* Mr H Kaplan resigned from the board on 7 October 2020. Consequently, unexpired options over ordinary shares of 800,000 were removed from the table.

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Mr A McIntosh	2,000,000	-	2,000,000
Dr D DeTata	3,800,000	-	3,800,000
Mr S Rechner	5,000,000	-	5,000,000
	<u>10,800,000</u>	<u>-</u>	<u>10,800,000</u>

Loans from key management personnel and their related parties

During the 2020 financial year, Directors advanced loans (all Directors participating) to the Consolidated Entity for working capital purposes were repaid in full during the year.

**On 3 September 2020, the Company completed the consolidation of its share capital on a 10 to 1 basis, which was approved by shareholders at its General Meeting held on 10 August 2020. Number of shares, options and share price for the comparative periods are adjusted to reflect the share capital consolidation.*

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
17 December 2019	12 December 2022	\$0.1000	2,000,000
12 August 2020	12 December 2022	\$0.1000	200,000
4 December 2020	4 December 2023	\$0.1000	9,000,000
4 December 2020	12 December 2022	\$0.1000	600,000
			<u>11,800,000</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.

**On 3 September 2020, the Company completed the consolidation of its share capital on a 10 to 1 basis, which was approved by shareholders at its General Meeting held on 10 August 2020. Number of shares, share price and earning per share for the comparative periods are adjusted to reflect the share capital consolidation.*

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 options

There were no ordinary shares of Strategic Energy Resources Limited issued on the exercise of options during the year ended 30 June 2021 and up to 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 2021 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

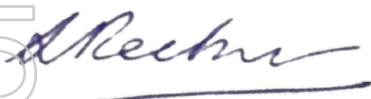
Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

27 August 2021
Melbourne

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 2021, 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 Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 27 August 2021

#6059197v1

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Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021



		Consolidated	
	Note	30 June 2021	30 June 2020
		\$	\$
Other income			
Interest income	5	381,743	120,263
		2,942	7,484
Expenses			
Employee benefits expense		(170,512)	(144,485)
Corporate expenses		(298,267)	(220,243)
Tenement due diligence and other exploration expenses		(343,047)	(83,575)
Share based payments	28	(405,200)	(62,263)
Exploration expenditure written off	10	(1,390,893)	-
Other expenses		(41,892)	(42,865)
		(2,265,126)	(425,684)
Loss before income tax expense		(2,265,126)	(425,684)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of Strategic Energy Resources Limited		(2,265,126)	(425,684)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain / (loss) on the revaluation of financial assets at fair value through other comprehensive income, net of tax		589,496	(25,000)
Other comprehensive income for the year, net of tax		589,496	(25,000)
Total comprehensive income for the year attributable to the owners of Strategic Energy Resources Limited		<u>(1,675,630)</u>	<u>(450,684)</u>
		Cents	Cents
Basic loss earnings per share	27	(1.295)	(0.442)
Diluted loss earnings per share	27	(1.295)	(0.442)

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 2021



		Consolidated	
	Note	30 June 2021	30 June 2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	7	2,076,700	945,246
Other receivables	8	9,910	70,879
Prepayments		30,023	29,476
Total current assets		<u>2,116,633</u>	<u>1,045,601</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	9	857,836	-
Property, plant and equipment		5,632	3,680
Exploration and evaluation	10	1,884,627	1,619,745
Other non-current assets	11	41,000	21,735
Total non-current assets		<u>2,789,095</u>	<u>1,645,160</u>
Total assets		<u>4,905,728</u>	<u>2,690,761</u>
Liabilities			
Current liabilities			
Trade and other payables	12	99,652	135,882
Short term borrowings		-	8,500
Employee provisions		9,672	-
Total current liabilities		<u>109,324</u>	<u>144,382</u>
Total liabilities		<u>109,324</u>	<u>144,382</u>
Net assets		<u>4,796,404</u>	<u>2,546,379</u>
Equity			
Issued capital	13	36,181,482	32,661,027
Reserves	14	1,056,959	352,911
Accumulated losses		(32,442,037)	(30,467,559)
Total equity		<u>4,796,404</u>	<u>2,546,379</u>

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

Strategic Energy Resources Limited
Statement of changes in equity
For the year ended 30 June 2021



Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2019	31,594,519	(6,160,461)	(23,565,766)	1,868,292
Loss after income tax expense for the year	-	(425,684)	-	(425,684)
Other comprehensive income for the year, net of tax	-	-	(25,000)	(25,000)
Total comprehensive income for the year	-	(425,684)	(25,000)	(450,684)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	1,066,508	-	-	1,066,508
Share-based payments (note 28)	-	-	62,263	62,263
De-recognition of fair value through other comprehensive income reserve upon sale	-	(33,333)	33,333	-
De-recognition of demerger reserve upon sale	-	(23,848,081)	23,848,081	-
Balance at 30 June 2020	<u>32,661,027</u>	<u>(30,467,559)</u>	<u>352,911</u>	<u>2,546,379</u>
	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2020	32,661,027	(30,467,559)	352,911	2,546,379
Loss after income tax expense for the year	-	(2,265,126)	-	(2,265,126)
Other comprehensive income for the year, net of tax	-	-	589,496	589,496
Total comprehensive income for the year	-	(2,265,126)	589,496	(1,675,630)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	3,520,455	-	-	3,520,455
Share-based payments (note 28)	-	-	405,200	405,200
Lapse of options	-	290,648	(290,648)	-
Balance at 30 June 2021	<u>36,181,482</u>	<u>(32,442,037)</u>	<u>1,056,959</u>	<u>4,796,404</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 2021



	Note	Consolidated	30 June 2021	30 June 2020
		\$	\$	\$
Cash flows from operating activities				
Payments to suppliers and employees (inclusive of GST)		(903,805)	(481,471)	
Interest received		3,314	7,646	
COVID-19-related government grants		78,191	51,483	
Receipt of R&D tax refund		14,403	9,589	
Receipts from sale of Uley Graphite Royalty	5	<u>80,000</u>	<u>-</u>	
Net cash used in operating activities	26	<u>(727,897)</u>	<u>(412,753)</u>	
Cash flows from investing activities				
Payments for property, plant and equipment		(4,805)	-	
Payments for exploration and evaluation	10	(1,627,799)	(796,096)	
Payments for security deposits		(20,000)	(1,000)	
Payments for term deposit		-	(20,000)	
Proceeds from term deposit		-	23,569	
Proceeds from sale of investment	9	<u>-</u>	<u>16,667</u>	
Net cash used in investing activities		<u>(1,652,604)</u>	<u>(776,860)</u>	
Cash flows from financing activities				
Proceeds from issue of shares	13	3,666,002	1,107,500	
Cost of capital raising		(145,547)	(35,395)	
Proceeds from borrowings		-	8,500	
Repayment of borrowings		<u>(8,500)</u>	<u>-</u>	
Net cash from financing activities		<u>3,511,955</u>	<u>1,080,605</u>	
Net increase / (decrease) in cash and cash equivalents		1,131,454	(109,008)	
Cash and cash equivalents at the beginning of the financial year		<u>945,246</u>	<u>1,054,254</u>	
Cash and cash equivalents at the end of the financial year	7	<u><u>2,076,700</u></u>	<u><u>945,246</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 27 August 2021. 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 significant impact on the financial performance or position of the Consolidated Entity.

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

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

21RU-005 Cloud computing arrangement costs - Updated

The IFRS® Interpretations Committee (IFRIC) has issued two final agenda decisions on cloud computing arrangements. The March 2019 decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term. The April 2021 decision builds on the 2019 decision and considers how a customer accounts for configuration or customisation costs where an intangible asset is not recognised. These decisions have no impact on the Consolidated Entity's financial statements.

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 2021 of the Consolidated Entity results in an excess of current assets over current liabilities of \$2,007,309 (30 June 2020: \$901,219). The Consolidated Entity made a loss after tax of \$2,265,126 during the financial year (2020 loss: \$425,684) and had net operating cash outflows of \$727,897 (30 June 2020: \$412,753). The cash balances as at 30 June 2021 was \$2,076,700 (2020: \$945,246). The continuing viability of the Consolidated Entity and its ability to continue as a going concern is dependent upon the Consolidated Entity being successful in its continuing efforts in exploration projects and accessing additional sources of capital to meet the commitments within one year from the date of signing the financial report.

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

Note 2. Significant accounting policies (continued)

- On 12 August 2020, the Company issued 41,250,000 fully paid ordinary shares (Shares) at an issue price of \$0.034 (3.4 cents) per Share to professional, sophisticated and other exempt investors pursuant to the approval of shareholders granted on 10 August 2020.
- On 3 February 2021, the Company issued 40,000,050 fully paid ordinary shares (Shares) at an issue price of \$0.043 (4.3 cents) per Share to professional, sophisticated and other exempt investors.
- On 22 March 2021, the Company issued a total of 12,639,534 fully paid ordinary shares to professional, sophisticated and other exempt investors (including 3,825,581 Shares to Directors of the Company), at an issue price of \$0.043 (4.3 cents) per Share.

The funds from this capital raising will enable further geophysics and drilling at the Consolidated Entity's Copper-Gold 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.

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

In July and August 2021, the Australian economy has experienced disruption related to COVID 19 triggered State wide lockdowns across all major States including New South Wales, Victoria and Queensland. These lockdowns have caused disruption to the broader business community and the Australian mining and exploration industry's operations have not been immune. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Consolidated Entity has taken precautionary measures by temporarily closing the Consolidated Entity's office and having arranged the employees to work remotely, as well as curtailing travel. Management believes that this will allow efforts to continue the feasibility studies and permitting activities. At the date of this report, the impact of these measures is not expected to significantly impact the completion of the current work being undertaken. However, as the circumstances continue to evolve, there may be disruptions to the future work timelines if employees, consultants or their respective families are personally impacted by COVID-19 or if travel and other operational restrictions are not lifted.

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').

Note 2. Significant accounting policies (continued)

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, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

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 22.

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 2020 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 23. 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.

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.

Note 2. Significant accounting policies (continued)

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.

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 amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

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.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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 2021. 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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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 Binomial or 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.

Income tax

The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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.

Note 4. Operating segments

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

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

Assets and liabilities by geographical area

All assets and liabilities and operations are based in Australia.

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 2021	30 June 2020
	\$	\$
COVID-19-related government grants	19,000	110,674
Fair value of options received to sell EL32228 Benmara Station (Tenement)	97,500	-
Sale of Uley Graphite Royalty	250,840	-
R&D tax refund received	14,403	9,589
	<u>381,743</u>	<u>120,263</u>
Other income		

COVID-19-related government grants

COVID-19-related government grants represent the job keeper, cash flow boost payments and other grants received from State and Federal Governments in response to ongoing novel coronavirus (COVID-19) pandemic. Government grants are recognised in the financial statements at expected values or actual cash received when there is a reasonable assurance that the Consolidated Entity will comply with the requirements and that the grant will be received. The Consolidated Entity has recognised its share of revenues, expenses and expenses reimbursements of joint operations, which give rise to job keeper payments, within exploration assets in the financial statements.

Sale of Uley Graphite Royalty

On 16 June 2020, the Company has entered into an agreement to sell its 1.5% Gross Revenue Royalty on production from the Uley Graphite Project in South Australia to Vox Royalty Australia Pty Ltd (Vox Australia), a wholly owned subsidiary of Vox Royalty Corp (TSXV:VOX) (Vox Royalty) for total consideration of approximately \$500,000. The consideration comprises \$80,000 cash, 58,031 VOX shares (worth approximately \$200,000 at the agreement date) upon satisfaction of certain completion conditions and \$220,000 in Vox Royalty shares upon commercial production at Uley.

The agreement was completed in July 2020, when certain conditions attached the agreement were satisfied. The Company received \$80,000 cash and 58,031 VOX shares, which were recognised at the issue date fair value of \$170,840 as other income in the financial statements. The remaining \$220,000 worth shares are contingent subject to commencement of commercial production at Uley, therefore not recognised in the financial statements.

Note 5. Other income (continued)

Option to sell EL32228 Benmara Station (Tenement)

On 15 December 2020, the Company has signed a binding term sheet with Resolution Minerals Ltd (ASX: RML) for a 12-month Option to sell EL32228 which covers 663km² in the Northern Territory on Benmara Station (Tenement). RML has a 12-month Option to purchase a 100% interest in the Tenement and associated information from SER. During the Option Period, RML will be required to keep the tenement in good standing and have the tenement granted prior to the 2021 field season. RML issued 2,500,000 shares as the Consideration to SER for entering into the Option agreement, which is recognised as other income in the income statement at their issue date fair value \$97,500.

In addition, RML shall pay SER \$250,000 (either in RML shares or cash, at RML's election) should they elected to exercise the purchase Option. Given this is contingent upon satisfying conditions beyond the Consolidated Entity's control, this additional amount is not recognised in the financial statements.

Note 6. Income tax

	Consolidated	Consolidated
	30 June 2021	30 June 2020
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(2,265,126)	(425,684)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(588,933)	(117,063)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	105,352	17,122
Other permanent differences	5	27
Non assessable income	-	25,485
Non-deductible R&D expenditure	8,609	6,062
	(474,967)	(68,367)
Income tax losses carried forward not taken up as a benefit	474,967	68,367
Income tax expense	-	-
	Consolidated	Consolidated
	30 June 2021	30 June 2020
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	30,818,688	28,200,127
Potential tax benefit @ 26%	8,012,859	7,332,033

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.

Note 6. Income tax (continued)

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses (revenue losses)	8,012,859	7,332,033
Temporary differences	(629,862)	(380,765)
Tax losses (capital losses)	<u>2,301,108</u>	<u>2,431,113</u>
Total deferred tax assets not recognised	<u><u>9,684,105</u></u>	<u><u>9,382,381</u></u>

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 2021	30 June 2020
	\$	\$
Cash at bank	<u>2,076,700</u>	<u>945,246</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 2021	30 June 2020
	\$	\$
Other receivables	-	59,564
GST receivable	9,910	11,315
	<u>9,910</u>	<u>70,879</u>

Other receivables include job keeper and cash flow boost payments receivable from Federal Government in response to ongoing novel coronavirus (COVID-19) pandemic. 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 financial 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.

Impairment

Allowances for impairment are recognised using an 'expected credit loss' ('ECL') model. Impairment is measured using a 12-month ECL method Unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

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

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
Equity investments in quoted equity shares	203,836	-
Equity investments in unquoted equity shares	654,000	-
	<u>857,836</u>	<u>-</u>

Reconciliation

Reconciliation of the fair values of the equity investments at the end of the current and previous financial year are set out below:

	-	-
Equity investments in quoted equity shares - Vox Royalty Corp	151,336	-
Equity investments in quoted equity shares - Resolution Minerals Ltd	52,500	-
Equity investments in unquoted equity shares - Ionic Industries Limited	654,000	-
Closing fair value	<u>857,836</u>	<u>-</u>

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	-	41,667
Fair value increments on Ionic Industries Limited	654,000	-
Additions: Resolution Minerals Ltd	97,500	-
Additions: Vox Royalty Corp	170,840	-
Revaluation increments Vox Royalty Corp	(19,504)	-
Revaluation decrements Resolution Minerals Ltd	(45,000)	-
Revaluation decrements of Pepinnini Lithium Limited	-	(25,000)
Disposal of investment in Pepinnini Lithium Limited	-	(16,667)
Closing fair value	<u>857,836</u>	<u>-</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.

Refer to note 17 for further information on fair value measurement.

Investments in Vox Royalty Corp (TSXV:VOX)

On 16 June 2020, the Company has entered into an agreement to sell its 1.5% Gross Revenue Royalty on production from the Uley Graphite Project in South Australia to Vox Royalty Australia Pty Ltd (Vox Australia), a wholly owned subsidiary of Vox Royalty Corp (TSXV:VOX) (Vox Royalty) for total consideration of approximately \$500,000. The consideration comprises \$80,000 cash, 58,031 VOX shares (worth \$170,840 at the issue date fair value) and a further \$220,000 in Vox Royalty shares upon commercial production at Uley.

The agreement was completed in July 2020, when certain conditions attached the agreement were satisfied. The Company received \$80,000 cash and 58,031 VOX shares amounting to \$170,840 (at their issue date fair value), which was recognised as other income in the financial statements with corresponding shares being recognised as a financial asset at fair value through other comprehensive income. These investments are revalued as per the Consolidated Entity's accounting policies at 30 June 2021.

Note 9. Non-current assets - Financial assets at fair value through other comprehensive income (continued)

Investments in Resolution Minerals Ltd (ASX: RML)

On 15 December 2020, the Company has signed a binding term sheet with Resolution Minerals Ltd (ASX: RML) for a 12-month Option to sell EL32228 which covers 663km² in the Northern Territory on Benmara Station (Tenement). RML has a 12-month Option to purchase a 100% interest in the Tenement and associated information from the Company. During the Option Period, RML will be required to keep the tenement in good standing and have the tenement granted prior to the 2021 field season. RML issued 2,500,000 shares worth \$97,500 at the issue date fair value, as the Consideration to the Company for entering into the Option agreement, which is recognised as other income in the income statement with corresponding shares being recognised as a financial asset at fair value through other comprehensive income. These investments are revalued as per the Consolidated Entity's accounting policies at 30 June 2021.

Ionic Industries Limited (Ionic)

The Consolidated Entity holds 87,155,625 shares in Ionic Industries Limited (an unlisted company) valued at \$654,000 at 30 June 2021 using Level 2 measurement principles from the fair value hierarchy. Level 2 assets are financial assets that do not have regular market pricing but whose fair value can be determined based on other data values or market prices. Specifically, in the case of Ionic this by reference to material capital raising completed on an arm's length basis.

Gasfields Limited (ASX:GFS)

The Consolidated Entity currently holds 20,000,000 fully paid ordinary shares in Gasfields Limited (ASX:GFS), which have been valued at \$Nil. During the year the ASX delisted GFS from the ASX and therefore management has continued to carry the investment at Nil value.

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 10. Non-current assets - exploration and evaluation

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
Exploration and evaluation - at cost	<u>1,884,627</u>	<u>1,619,745</u>

Note 10. Non-current assets - exploration and evaluation (continued)

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 \$
Balance at 1 July 2019	800,677
Expenditure during the year	<u>819,068</u>
Balance at 30 June 2020	1,619,745
Expenditure during the year	1,655,775
Exploration expenditure written off	<u>(1,390,893)</u>
Balance at 30 June 2021	<u><u>1,884,627</u></u>

The exploration and evaluation assets relate to the following areas of interest.

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Note 10. Non-current assets - exploration and evaluation (continued)

Area of interest	Tenement number	Fulfilled expenditure commitments	Interest owned 2021 %	Interest owned 2020 %
Myall Creek - South Australia	EL6140 (Farm-In Agreement No ¹ with FMG)		100.00%	100.00%
Roopena - South Australia	EL5898 (Farm-In Agreement No ¹ with FMG)		100.00%	100.00%
Billa Kalina - South Australia	EL6335	N/A - Relinquished	-	100.00%
Ambergate - Western Australia	E70/4793	Yes	100.00%	100.00%
Ambergate West - Western Australia	E70/5012	Yes	100.00%	100.00%
Ambergate Far West - Western Australia	E70/5344	No, granted during the period ²	100.00%	-
East Tennant - Northern Territory	EL32109	Yes	100.00%	100.00%
East Tennant - Northern Territory	EL32306	Yes	100.00%	-
East Tennant - Northern Territory	EL32307	Yes	100.00%	-
Barkly 1 - Northern Territory	EL32617	No, granted during the period ²	100.00%	-
Fish River - Northern Territory	EL32228	No, granted during the period ²	100.00%	100.00%
Saxby - Queensland	EPM15398	Yes	100.00%	-
Saxby North - Queensland	EL27378	Yes	100.00%	100.00%
Canobie1 - Queensland	EPM27586	No, granted during the period ²	100.00%	-
Canobie2 - Queensland	EPM27587	No, granted during the period ²	100.00%	-
Canobie3 - Queensland	EPM27588	No, granted during the period ²	100.00%	-
Canobie4 - Queensland	EPM27638	No, granted during the period ²	100.00%	-
Canobie5 - Queensland	EPM27676	No, granted during the period ²	100.00%	-
Isa North 1 - Queensland ³	EPM 26439	No, acquired during the period ²	-	-
Isa North 2 - Queensland ³	EPM 26440	No, acquired during the period ²	-	-
Isa North 3 - Queensland ³	EPM 26442	No, acquired during the period ²	-	-
South Cobar - New South Wales	EL9012	No, granted during the period ²	100.00%	-
East Cowal - New South Wales	EL9057	No, granted during the period ²	100.00%	-

(1) Mining tenement expenditure commitment for this exploration interest was not fulfilled due to factors beyond management's and operators control including COVID-19 related restrictions. Management is in the process of submitting a project variation application with the granting authority and confident that there will no adverse implications to the exploration interest.

(2) Mining tenement license granted / acquired during the current financial year. The due date to meet the exploration expense commitment haven't expired at 30 June 2021. Based on the current forecasts, management is confident that the expenditure commitments will be met by their respective due dates.

(3) The Company acquired 100% of EPM26439, EPM26442 and EPM26440 from Newcrest Mining Limited (ASX: NCM) in return for NCM retaining a First Right of Refusal to any future transaction on the project; a 1% Net Smelter Royalty (NSR) capped at 10 years of production and access to technical data concerning the project. Title transfers of these tenements are expected to completed during first quarter of 2021-22 financial year.

Note 10. Non-current assets - exploration and evaluation (continued)

The recoverability of the carrying amounts of the exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest. A review of the Consolidated Entity's exploration licenses was undertaken during the financial year. Based on this review management written off \$1,390,893, which were in relation to tenements which are either relinquished or identified as commercially not viable. Further information on operating activities and development are included in the directors report.

In order to maintain current rights to tenure to exploration and mining tenements, the Consolidated Entity has an agreed amount exploration expenditure commitment up until expiry of leases. These obligations, which may be varied from time to time and which are subject to renegotiation upon expiry of the lease. Based on the current estimates, expense commitments related to the newly awarded areas of interest are expected to be met by due dates. In the event, if the commitments are not expected to be met, management is confident that these obligations can be renegotiated with the respective granting authorities.

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 11. Non-current assets - other non-current assets

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
Security deposits	21,000	1,735
Other deposits	20,000	20,000
	<u>41,000</u>	<u>21,735</u>

Other deposits represent a term deposit of \$20,000 lodged as security over a credit card facility.

Accounting policy for financial assets

Allowances for impairment are recognised using an 'expected credit loss' ('ECL') model. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

Note 12. Current liabilities - trade and other payables

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
Trade payables	56,965	98,280
Other payables	42,687	37,602
	<u>99,652</u>	<u>135,882</u>

Refer to note 16 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 13. Equity - issued capital

	Consolidated			
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>212,639,790</u>	<u>118,750,206</u>	<u>36,181,482</u>	<u>32,661,027</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	90,000,206		31,594,519
Issue of fully paid ordinary shares	5 July 2019	5,000,000	\$0.0600	300,000
Issue of fully paid ordinary shares	9 June 2020	23,750,000	\$0.0340	807,500
Capital raising costs		-	\$0.0000	(40,992)
Balance	30 June 2020	118,750,206		32,661,027
Issue of fully paid ordinary shares	12 August 2020	41,250,000	\$0.0340	1,402,500
Issue of fully paid ordinary shares	3 February 2021	40,000,050	\$0.0430	1,720,002
Issue of fully paid ordinary shares	22 March 2021	12,639,534	\$0.0430	543,500
Capital raising costs		-	\$0.0000	(145,547)
Balance	30 June 2021	<u>212,639,790</u>		<u>36,181,482</u>

On 3 September 2020, the Company completed the consolidation of its share capital on a 10 to 1 basis, with fractional elements rounded up to the nearest whole number. The share capital consolidation was approved by shareholders at its General Meeting held on 10 August 2020. Number of shares and share price for the comparative periods are adjusted to reflect the share capital consolidation.

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.

Note 13. Equity - issued capital (continued)

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 2019 Annual Report.

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 14. Equity - reserves

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
Financial assets at fair value reserve	589,496	-
Options reserve	467,463	352,911
	<u>1,056,959</u>	<u>352,911</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.

Note 14. Equity - reserves (continued)

Movements in reserves

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

Consolidated	Option reserve \$	Demerger reserve \$	Financial assets at fair value reserve \$	Total \$
Balance at 1 July 2019	290,648	(23,848,081)	(8,333)	(23,565,766)
De-recognition of reserve upon sale	-	23,848,081	-	23,848,081
Share-based payments	62,263	-	-	62,263
Revaluation decrements on financial assets at fair value through other comprehensive income	-	-	(25,000)	(25,000)
De-recognition of asset revaluation reserve surplus upon sale	-	-	33,333	33,333
Balance at 30 June 2020	352,911	-	-	352,911
Share-based payments	405,200	-	-	405,200
Lapse of options	(290,648)	-	-	(290,648)
Revaluation decrements on financial assets at fair value through other comprehensive income	-	-	589,496	589,496
Balance at 30 June 2021	<u>467,463</u>	<u>-</u>	<u>589,496</u>	<u>1,056,959</u>

Note 15. Equity - dividends

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

Note 16. 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 and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market 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.

Foreign exchange risk may arise from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk

The Consolidated Entity is exposed to price risk in relation to the shares that it owned in other listed and unlisted entities at 30 June 2021 (2020: Nil). The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Note 16. Financial instruments (continued)

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.

As at the reporting date, the Consolidated Entity had the following variable interest rates:

Consolidated	30 June 2021		30 June 2020	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash at bank and in hand	-	2,076,700	0.05%	945,246
Net exposure to cash flow interest rate risk		<u>2,076,700</u>		<u>945,246</u>

The Consolidated Entity is not exposed to significant interest rate risks at 30 June 2021 and impact of movements in interest rates would not be material on bank balances held at 30 June 2021 and 30 June 2020.

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.

The Consolidated Entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated Entity based on recent sales experience, historical collection rates and forward-looking information that is available.

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 16. 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 2021	Weighted average interest rate %	1 year or less \$	Remaining contractual maturities \$
Non-derivatives			
<i>Non-interest bearing</i>			
Trade and other payables	-	99,652	99,652
Total non-derivatives		99,652	99,652

Consolidated - 30 June 2020	Weighted average interest rate %	1 year or less \$	Remaining contractual maturities \$
Non-derivatives			
<i>Non-interest bearing</i>			
Trade and other payables	-	135,882	135,882
Other loans	-	8,500	8,500
Total non-derivatives		144,382	144,382

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 17. 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 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Equity investments in quoted equity shares	203,836	-	-	203,836
Equity investments in unquoted equity shares	-	654,000	-	654,000
Total assets	203,836	654,000	-	857,836

Note 17. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2

The Consolidated Entity's investments in unquoted equity investments are not traded in active markets. This investment have been fair valued using observable market transactions. The fair value estimate has been determined from the perspective of a market participant that holds these equity instrument as assets at 30 June 2021.

Factors such as involvement of independent brokers, participation by wide range shareholders (both new and existing), significance of the capital raised and controls are considered in determining the fair value used for valuation purposes

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Unquoted equity instruments \$	Total \$
Balance at 1 July 2019	-	-
Balance at 30 June 2020	-	-
Transfers out level 3	(654,000)	(654,000)
Gains recognised in other comprehensive income	654,000	654,000
Balance at 30 June 2021	-	-

The Consolidated Entity holds 87,155,625 shares in Ionic Industries Limited (an unlisted company). During 2020 financial year, this investment was valued at \$Nil in accordance AASB 13, 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. However, during the current year, Ionic completed a material capital raising on an arm's length basis. Consequently, the Consolidated Entity has fair valued the investment based the market price and transferred to Level 2 of the fair value hierarchy.

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 18. 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 (resigned as Non-Executive Director on 1 July 2021 and appointed as Managing Director on 1 July 2021)
Mr Anthony McIntosh	Non-Executive Director (appointed as Non-Executive Director on 7 October 2020)
Mr Harvey Kaplan	Non-Executive Director (resigned as Non-Executive Director on 7 October 2020)

Note 18. Key management personnel disclosures (continued)

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 2021	30 June 2020
	\$	\$
Short-term employee benefits	456,834	405,615
Post-employment benefits	20,599	15,734
Share-based payments	99,833	62,263
	<u>577,266</u>	<u>483,612</u>

Note 19. 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 2021	30 June 2020
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>34,750</u>	<u>33,500</u>

Note 20. Commitments

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
<i>Exploration Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,216,983	353,642
Two to five years	4,865,167	1,640,358
	<u>6,082,150</u>	<u>1,994,000</u>

The commitments above represent the minimum spending required for each areas of interest owned by the Consolidated Entity and exclude formed-out exploration interests, which are not managed by the Consolidated Entity. 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 upon expiry of the lease are not provided for in the financial statements as payable.

Within the mineral industry it is common practice for companies to farm-out, transfer or sell a portion of their exploration rights to third parties or to relinquish some exploration and mining tenements altogether, and as a result obligations will be significantly reduced or extinguished altogether. The farm-in partners also expended funds on the permits during the year which can result in work programs for certain years being met.

Note 20. Commitments (continued)

“Isa North” Copper-Gold project acquisition terms

The Company acquired 100% of EPM26439, EPM26442 and EPM26440 from Newcrest Mining Limited (ASX: NCM) in return for NCM retaining a First Right of Refusal to any future transaction on the project; a 1% Net Smelter Royalty (NSR) capped at 10 years of production and access to technical data concerning the project.

Note 21. Related party transactions

Parent entity

Strategic Energy Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 23.

Joint operations

Interests in joint operations are set out in note 24.

Key management personnel

Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	Consolidated
	30 June 2021	30 June 2020
	\$	\$
Payment for geological services*	240,000	240,000

* 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.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	Consolidated
	30 June 2021	30 June 2020
	\$	\$
Current payables:		
Trade and other payables to directors	12,000	32,507

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	Consolidated
	30 June 2021	30 June 2020
	\$	\$
Current borrowings:		
Loan from directors	-	8,500

Terms and conditions

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

Note 22. 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 2021	30 June 2020
	\$	\$
Loss after income tax	(2,265,126)	(425,684)
Total comprehensive income	(2,265,126)	(425,684)

Statement of financial position

	Parent	
	30 June 2021	30 June 2020
	\$	\$
Total current assets	2,116,633	1,045,601
Total assets	4,905,743	2,690,761
Total current liabilities	109,323	144,382
Total liabilities	109,323	144,382
Equity		
Issued capital	36,181,482	32,661,027
Financial assets at fair value reserve	589,496	-
Options reserve	467,463	352,911
Accumulated losses	(32,442,021)	(30,467,559)
Total equity	<u>4,796,420</u>	<u>2,546,379</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 2021 and 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 2021 and 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 2021 and 2020.

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 23. 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 2021 %	30 June 2020 %
Strategic Nickel Pty Ltd	Australia	100%	100%
Strategic Sands Pty Ltd	Australia	100%	100%
Strategic Caldera Pty Ltd	Australia	80%	-

Note 24. Farm-outs in the exploration and evaluation phase

The Consolidated Entity had interests in unincorporated joint operations at 30 June 2021 as follows;

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2021 %	30 June 2020 %
Myall Creek (EL6140) - South Australia	Australia	100.00%	100.00%
Roopena (EL5898) - South Australia	Australia	100.00%	100.00%

Myall Creek Project – on 21 June 2019, the Company entered in to 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.

Note 25. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 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 26. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
Loss after income tax expense for the year	(2,265,126)	(425,684)
Adjustments for:		
Depreciation and amortisation	2,853	2,453
Share-based payments	405,200	62,263
Exploration costs written off	1,390,893	-
Net fair value investment recognised as income	(268,340)	-
Change in operating assets and liabilities:		
Decrease/(increase) in other receivables	61,704	(54,929)
Increase in prepayments	(547)	(12,031)
Increase/(decrease) in trade and other payables	(64,206)	15,175
Increase in employee benefits	9,672	-
Net cash used in operating activities	<u>(727,897)</u>	<u>(412,753)</u>

Note 27. Loss per share

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
Loss after income tax attributable to the owners of Strategic Energy Resources Limited	<u>(2,265,126)</u>	<u>(425,684)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>174,970,344</u>	<u>96,372,951</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>174,970,344</u>	<u>96,372,951</u>
	Cents	Cents
Basic loss earnings per share	(1.295)	(0.442)
Diluted loss earnings per share	(1.295)	(0.442)
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.

As at 30 June 2021, the Consolidated Entity had 11,800,000 (2020: 8,550,000) unlisted options on issue, which are exercisable at \$0.01 (1 cent) per option expiring on or before 12 December 2022 and 4 December 2023, respectively. These options have not been included in the above diluted loss earnings per share calculation as explained above.

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.

Note 27. Loss per share (continued)

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 28. Share-based payments

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

30 June 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
27/11/2017	28/11/2020	\$0.1000	6,250,000	-	-	(6,250,000)	-
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
			<u>8,250,000</u>	<u>9,800,000</u>	<u>-</u>	<u>(6,250,000)</u>	<u>11,800,000</u>
Weighted average exercise price			\$0.1000	\$0.1000	\$0.0000	\$0.1000	\$0.1000

30 June 2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
27/11/2017	28/11/2020	\$0.1000	6,250,000	-	-	-	6,250,000
17/12/2019	12/12/2022	\$0.1000	-	2,000,000	-	-	2,000,000
			<u>6,250,000</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>8,250,000</u>
Weighted average exercise price			\$0.1000	\$0.1000	\$0.0000	\$0.0000	\$0.1000

A total of 9,600,000 unlisted options were issued to Directors and Key Management Personal during the year (2020: 2,000,000).

Options issued during the financial year have been valued using the black scholes method and the Consolidated Entity recognised share based payment expenses of \$405,200 (2019: \$62,263).

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

Grant date	Expiry date	30 June 2021 Number	30 June 2020 Number
27/11/2017	28/11/2020	-	6,250,000
17/12/2019	12/12/2022	2,000,000	2,000,000
12/08/2020	12/12/2022	200,000	-
04/12/2020	04/12/2023	9,000,000	-
04/12/2020	12/12/2022	600,000	-
		<u>11,800,000</u>	<u>8,250,000</u>

Note 28. Share-based payments (continued)

For the options granted during 2019 and current financial year, the Consolidated Entity used a Black-Scholes valuation model, with the following inputs used to determine the fair value at grant date:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
17/01/2019	12/12/2022	\$0.0500	\$0.1000	126.00%	0.70%	\$0.030
12/08/2020	12/12/2022	\$0.0800	\$0.1000	137.00%	0.26%	\$0.073
04/12/2020	04/12/2023	\$0.0600	\$0.1000	134.00%	0.11%	\$0.041
04/12/2020	12/12/2022	\$0.0600	\$0.1000	135.00%	0.10%	\$0.034

**On 3 September 2020, the Company completed the consolidation of its share capital on a 10 to 1 basis, which was approved by shareholders at its General Meeting held on 10 August 2020. Number of shares, options and share price for the events prior to this date are adjusted to reflect the share capital consolidation.*

Accounting policy for share-based payments

Equity-settled and cash-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. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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

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.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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.

Note 28. Share-based payments (continued)

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.

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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 2021 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

27 August 2021
Melbourne

Independent Auditor's Report

To the Members of Strategic Energy Resources Limited

Report on the audit of the financial report

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 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 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 opinion

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 Consolidated Entity 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 opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Consolidated Entity's current assets exceeded its current liabilities by \$2,007,309 and cash balances was \$2,076,700 as at 30 June 2021. The Consolidated Entity made a loss after tax of \$2,265,126 and had net operating cash outflows of \$727,897 for the ended 30 June 2021. 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 Consolidated Entity'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
<p>Exploration and evaluation assets – Note 10</p> <p>At 30 June 2021 the carrying value of exploration and evaluation assets was \$1,884,627. An impairment losses on exploration and evaluation assets of \$1,390,893 was recognised for the year ended 30 June 2021.</p> <p>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, 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’s experts 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 2021, 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 2021.

In our opinion, the Remuneration Report of Strategic Energy Resources Limited, for the year ended 30 June 2021 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 Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 27 August 2021

The shareholder information set out below was applicable as at 17 August 2021.

	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	163	49,376	0.02	-	-	-
1,001 to 5,000	204	570,184	0.27	-	-	-
5,001 to 10,000	231	2,047,304	0.96	-	-	-
10,001 to 100,000	715	27,150,701	12.77	-	-	-
100,001 and over	241	182,822,225	85.98	5	11,800,000	100.00
	<u>1,554</u>	<u>212,639,790</u>	<u>100.00</u>	<u>5</u>	<u>11,800,000</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>630</u>					

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 % of total shares issued
	Number held
Abadi Investments Pty Ltd	20,519,836
Pillage Investments Pty Ltd	9,000,000
E E R C Australasia Pty Ltd	8,882,353
Newpuzzle Holdings Pty Ltd	7,941,177
Mr Mark Anthony Broglio	7,500,000
Omen Pty Ltd	6,401,174
Kslcorp Pty Ltd	5,000,000
Mr Nicolas Terranova	5,000,000
BNP Paribas Nominees Pty Ltd	4,855,584
Hongmen Pty Ltd	4,834,865
Osmium Holdings Pty Ltd	4,000,000
National Nominees Limited	3,771,471
Mr Zhongming Hong	3,382,353
Mr Jason Tang	3,350,000
George WA Pty Ltd	3,000,000
Ateq Investments Pty Ltd	2,747,743
Interdale Pty Ltd	2,325,581
Mr Craig Michael Lake & Mrs Judith May Lake	1,980,000
Mr Richard Thomas Hayward Daly & Mrs Sarah Kay Daly	1,702,733
BNP Paribas Nominees Pty Ltd Acf Clearstream	1,522,289
	<u>107,717,159</u>
	<u>50.64</u>

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	11,800,000	5

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

Name	Number held
Osmium Holdings Pty Ltd	5,000,000
Dr David Detata	3,800,000

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
Datt Group	24,196,306	11.38
Zhongming Hong and associated entities	16,158,395	7.60
Anthony Rechner	15,583,526	7.33
Graeme Kirk	15,448,185	7.26

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 Wednesday, 17 November 2021. 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 Wednesday, 29 September 2021. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on this date at the Company's Registered Office.

Tenements

Description	Tenement number	Interest owned %
Myall Creek - South Australia	EL6140 (Farm-In Agreement with FMG)	100
Roopena - South Australia	EL5898 (Farm-In Agreement with FMG)	100
Ambergate - Western Australia	E70/4793	100
Ambergate West - Western Australia	E70/5012	100
Ambergate Far West - Western Australia	E70/5344	100
East Tennant - Northern Territory	EL32109	100
East Tennant - Northern Territory	EL32306	100
East Tennant - Northern Territory	EL32307	100
Barkly 1 - Northern Territory	EL32617	100
Fish River - Northern Territory	EL32228	100
Saxby - Queensland	EPM15398	100
Saxby North - Queensland	EL27378	100
Canobie1 - Queensland	EPM27586	100
Canobie2 - Queensland	EPM27587	100
Canobie3 - Queensland	EPM27588	100
Canobie4 - Queensland	EPM27638	100
Canobie5 - Queensland	EPM27676	100
Isa North 1 - Queensland	EPM 26439 - Transfer to SER underway	-
Isa North 2 - Queensland	EPM 26440 - Transfer to SER underway	-
Isa North 3 - Queensland	EPM 26442 - Transfer to SER underway	-
South Cobar - New South Wales	EL9012	100
East Cowal - New South Wales	EL9057	100