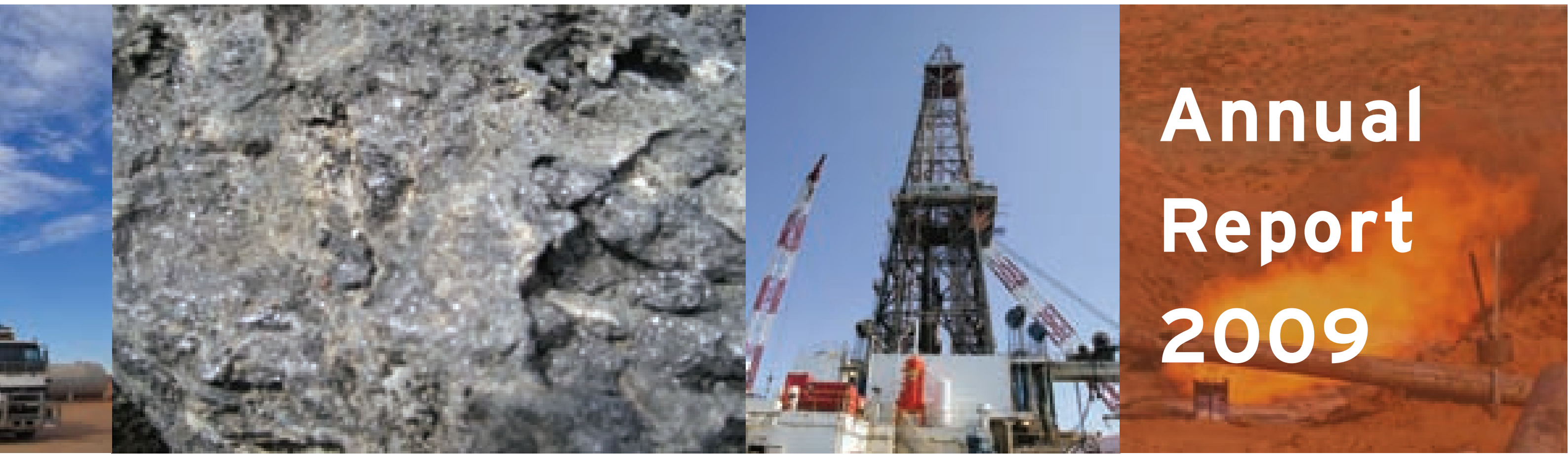

Annual Report 2009

ser
ENERGY FOR THE FUTURE
STRATEGIC ENERGY RESOURCES

Contents and Corporate Details

Corporate Details

DIRECTORS
Kim W McGrath
Mark A Muzzin
Glenister Lamont

COMPANY SECRETARY
Melanie J Leydin

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St. Kilda Victoria 3182
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ABN
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PLACE OF BUSINESS
Level 11, 500 Collins Street
Melbourne Victoria 3000
Telephone: (03) 9629 2330
Facsimile: (03) 9629 2332
www.strategicenergy.com.au

AUDITORS
BDO Kendalls (NSW-VIC) Pty Ltd
The Rialto, 525 Collins Street
Melbourne Victoria 3000

BANKERS
Macquarie Bank Limited
Level 26, 101 Collins Street
Melbourne Victoria, 3000

STOCK EXCHANGE
The Company's shares are quoted on the official list of the Australian Securities Exchange Ltd, Melbourne
ASX Code SER (Previously EBR)

SHARE REGISTRY
Advanced Share Registry
150 Stirling Highway
Nedlands Western Australia 6009
Telephone (08) 9389 8033

SOLICITORS
Finlaysons
8 Flinders Street
Adelaide South Australia 5000

Chairman's Letter

Dear Shareholder,

It's been a year of change for Strategic Energy Resources Limited (ASX code SER).

The Board has changed, with Mark Muzzin, Glenister Lamont and myself being appointed to form a new Board in December 2008. Melanie Leydin has been appointed to the role of Company Secretary, and the Company has moved to Melbourne and closer to our main activities. We also have new auditors in BDO Kendalls, and new accounting and administration arrangements through LeydinFreyer, both in Melbourne.

Significantly, in December 2008, when the new Board came in, the SER shareprice on the ASX was barely a cent per share. At the time of writing, it is some three times that and we have strong hopes that the positive change in the shareprice will continue.

Operationally the new Board, soon after our appointment, reviewed all the Company's assets and obligations. It was quickly apparent that the monthly sum of nearly $50,000 being paid for external corporate advice was totally unjustifiable, especially as there were no reports or practical outcomes being generated and the Company was still only a listed junior explorer with limited cash resources. This arrangement was quickly terminated.

Next, the Board moved decisively to secure the Uley graphite assets that had been tied-up in less than satisfactory arrangements with Mikkira Graphite Pty Ltd, and which had in December 2008 purported to exercise an option to purchase a majority of Uley despite less than the agreed expenditure having been spent on the project while in their care. Your Board formally asked them to show cause why all the arrangements should not be terminated, and as they did not do so the contractual arrangements — including that under which any option would be effected — was terminated.

The Company has since moved to examine all aspects of Uley and has commissioned a number of professional reports with a view to bringing the production of graphite from Uley back into life. The Managing Director's review gives further details of this.

Also, the Company has progressed a number of our potential minerals exploration projects that had been allowed to drift, particularly in the tenements that we hold in South Australia and in Western Australia. Hopefully in 2010 we will be able to report on success on the ground.

Meanwhile our oil and gas assets have been well maintained despite disappointing drilling results by others in Bass Strait and the lack of farm-out success by the operator in a number of our permits. Also, as oil prices had fallen significantly in the year and new oil and gas exploration funding had dried-up, your new Board could immediately focus more on the less-risky minerals sector. Nevertheless, the Board believes that the range and value of hydrocarbon activity will increase as the world economy recovers further from global financial crisis, and that we are well placed to take advantage of this.

I do recommend you carefully read the Annual Financial Report and Managing Director's review, and thank you for your support and the quiet patience shown while we re-establish the Company back into definitive activity.

Yours sincerely

Kim McGrath,
Chairman

ser ENERGY FOR THE FUTURE
STRATEGIC ENERGY RESOURCES

Projects Review

Uley Graphite Mine (SER 100%)

PORT LINCOLN, SOUTH AUSTRALIA

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

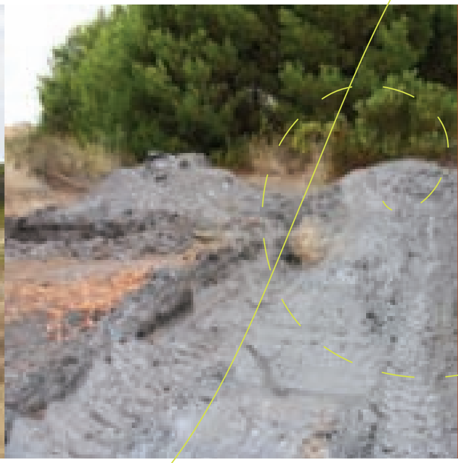
During the year a data room was established in our Melbourne operations office. All existing data from the Uley mine site, and from our former Perth office, has been catalogued and filed in the new data room. This is the first time all the data has been held in one location.

A project review was undertaken and this review was based on the historical geological estimates and we have updated the operating costs for parties interested in joint venturing the project. Preliminary contact with a number of parties interested in a potential joint venture has been made and our project review has been circulated, under confidentiality agreements.

The interest in Uley has been sparked by graphite prices well above those realised when the mine last operated in 1993. The February edition of Mineral Price Watch in Industrial Minerals quoted prices for the two of the grades produced at Uley. Uley also produced a higher grade +50 Mesh. These three grades were produced in approximately equal amounts. These prices are shown in the table below compared with the prices being received at the time of the mine closure.

Coffey Mining Pty Ltd was appointed and completed a geological assessment of the Uley Graphite project. Coffey Mining reviewed the historic drilling, resource modeling and production data and to see if a JORC (Joint Ore Reserves Committee) compliant resource statement could be calculated for the Main Road deposit. Coffey were also commissioned to run a pit optimization on this particular deposit, considering Coffey Mining Pty Ltd was appointed and completed a geological assessment of the Uley Graphite project.

Grade of Graphite	Current Price range US$/tonne	Prices Receive Jan 93 US$/tonne
94–97% Graphite +100 to -80 Mesh	1200–1300	500–531
94–97% Graphite +80Mesh	1000–1350	560–630



Coffey reviewed the historic drilling, resource modeling and production data and to see if a JORC (Joint Ore Reserves Committee) compliant resource statement could be calculated for the Main Road deposit. Coffey were also commissioned to run a pit optimization on this particular deposit, considering that graphite prices have improved significantly since the earlier Company project review.

Uley has been mined intermittently since the 1920s, and production ceased in early 1993. The mine and processing facility has been under care and maintenance since that time. The 20 tph (tonnes per hour) processing plant is substantially intact and operable, however requires some refurbishment. The 33KV power supply to the plant site is still energized.

Strategic Energy Resources Limited (SER) has received an initial review from the WA based GR Engineering Services Pty Ltd regarding the re-establishment of a treatment plant at the Uley Graphite Mine.

Scope of Review

Three options were examined.

1. Re-commission the existing facilities producing 8,000 tonnes per annum coarse graphite product (12,000 tpa total concentrate), with refurbishment of existing equipment
2. Modify the existing facility replacing obsolete or high operating cost equipment, incorporation of new processes and upgrade throughput to produce 14,000 tonnes per annum of coarse graphite product (22,000 tpa total concentrate)
3. New treatment facility to produce 20,000 tonnes per annum of coarse graphite product (32,000 tpa total concentrate)

The third option would make Uley one of the top twenty operations in the world, but a new operation would have to be staged. The review was asked to look at maximising the volume of coarse graphite flake (+150 microns), as this is the product for which pricing has remained robust. The review looked at plant operations records, metallurgical tests and several historical studies. All aspects of the treatment plant were reviewed but not infrastructure, as there is three-phase power, water supplies, buildings, access roads and other infrastructure already present.

The report gives an overview of potential processing flow sheets for each option, incorporating new technology where appropriate. It also includes design criteria based on historical operating parameters, and modern day experience. Product specifications reflected current markets and designs included production of final product for dispatch.

Next Stages

The report outlines a range of tests to refine the characteristics of the Uley Main Road resource and other processing tests. It also suggests that the existing plant could be used for small scale pilot testing once designs have been refined. The resource is close to surface and bulk testing should be relatively low cost. SER will now consider the next stage in the plant design process.

Uley Main Road – Recoverable Resource August, 2009

Cutoff Grade (Total Carbon)	3.8%
Total Material Waste (Mt)	6.9
Mill Feed (Mt)	3.7
Grade (Mt)	3.2
Coarse Graphite Produced (Total Carbon)	9.0%
(kt)	130

Projects Review (continued)

Resource Statement

We believe it is likely that the Main Road deposit has the potential of containing higher grade pods, however, further investigation into grade control, drilling and chemical sampling will need to be undertaken.

The optimization based on historic escalated costs and current prices indicated an economic resource. This is detailed below:

Uley Main Road Whittle 4X Pit Optimisation Economic Input Parameters – August 2009

Parameter	Unit	Value
Graphite price	US$/dt	1,380
Foreign exchange rate	US$/A$	0.80
Total Production cost (excluding mining)	A$/wt processed	27.81
Mining costs	A$/wt mined	2.20
Processing recovery	%	90
Coarse fraction	%	58
Moisture content	%	15
Pit wall slope angle	Degrees	50

Exploration Potential

In addition to the review of the Main Road deposit, Coffey was engaged to review the exploration potential of the other known deposits in our project areas and to rank their potential. Coffey reviewed the existing exploration data. The primary exploration targeting tool used was a Sirotem geophysical survey, completed by Solo Geophysics using a 50m X 50m loop size and MK111 instrument. The electromagnetic anomalies shown below were followed up with diamond drilling and significant intersections are shown below.

Based on this analysis, Coffey estimates that the leases have an exploration potential of 120-170 million tonnes at 7–9% fixed carbon.

Homestead was highlighted as our number one target, as there were thick intersections of higher grade material. This deposit is close to surface and close to the existing processing facilities, which should contribute to cost savings.

We are currently developing a geological work program, based on the review by Coffey to see what other work is required on our deposits to have them categorized under the JORC code, and as for Main Road, what other infill drilling is required to have this resource upgraded to JORC ‘indicated’ from ‘inferred’.

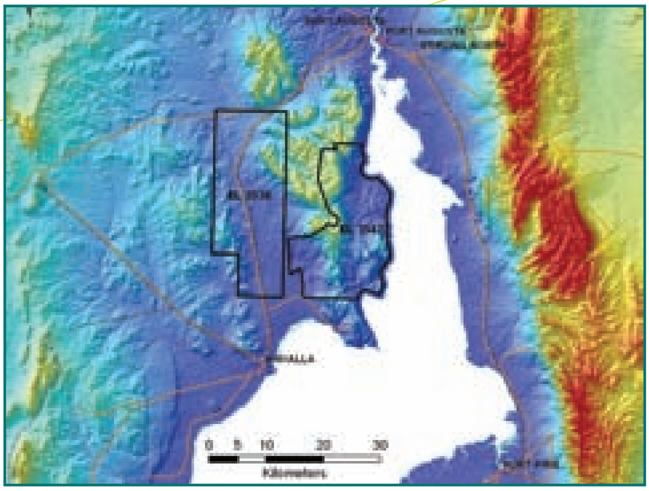
Also, historic work on Uranium potential in our Uley blocks has been collected and is being independently reviewed as another source of exploration potential in our asset.

Significant Intersections and Target Ranking

Prospect Name	Surface Area km²	Discovery Hole	Intersections	Target ranking
Fisheries	1.5	83MKRC11	68.0–99.2m, 31m @ 7.1% C	5
Salt Lake	2.5	83MKRC08	16–42, 26m @ 7.5% C	2
Kacey	3.00	83KRD011	44.2–51.9m, 7.7m @ 9.2% C	3
Homestead	0.25	83MKRC10	18–60m, 42m @ 7.0% C 30–60m, 30m @ 8.6% C	1
Remnant Uley	2.0	82MKD14	40–46m, 6m @ 6.1% C	4

Other Minerals Projects

Cultana EL 3547 (SER 75%) Myall Creek EL 3538 (SER 50%) South Australia



These blocks have been under agreement with U Energy Pty Ltd, a company whose sole Director is our managing Director, Mr Mark Muzzin. U Energy is still finalising the access deed with the Department of Defence and Department of Finance. The agreement with U Energy has lapsed under the terms of the agreement. The Company remains in discussion with U Energy. In addition, the Board is reviewing other options with regards to these tenements.

Falcon Bridge E38/1970, P38/3382, P38/3383-4 (SER 100%) Western Australia

During the year the interest held by a former joint venture partner was acquired for nominal consideration.

Subsequent to balance date the original vendor became entitled to a 5% free carried interest to bankable feasibility and to all gold rights.

The Falcon Bridge licence area is located some 330 kilometres north-northeast of Kalgoorlie, 80 kilometres north of Laverton, over the south-eastern corner of the Duketon greenstone belt.

The nickel price has risen considerably since December 2008 and we are investigating a possible nickel exploration program, including drilling. We have identified drill locations and are assessing if any further technical work is warranted prior to drilling. We have been in discussions with a potential joint venture partner looking to acquire an interest in our areas. Discussions are on going.

Casterton EL 5040 (SER 5% Potentially Free Carried) Victoria

EL5040 has recently been awarded. The Company decided after a review of our assets that this block did not fit our portfolio of exploration assets. Subject to formal documentation, we have agreed terms with another company who will earn a 95% interest by meeting the first $600,000 of expenditure on the block over the six year work program. Also the expenditure incurred by SER on this block will be re-paid as part of the consideration.

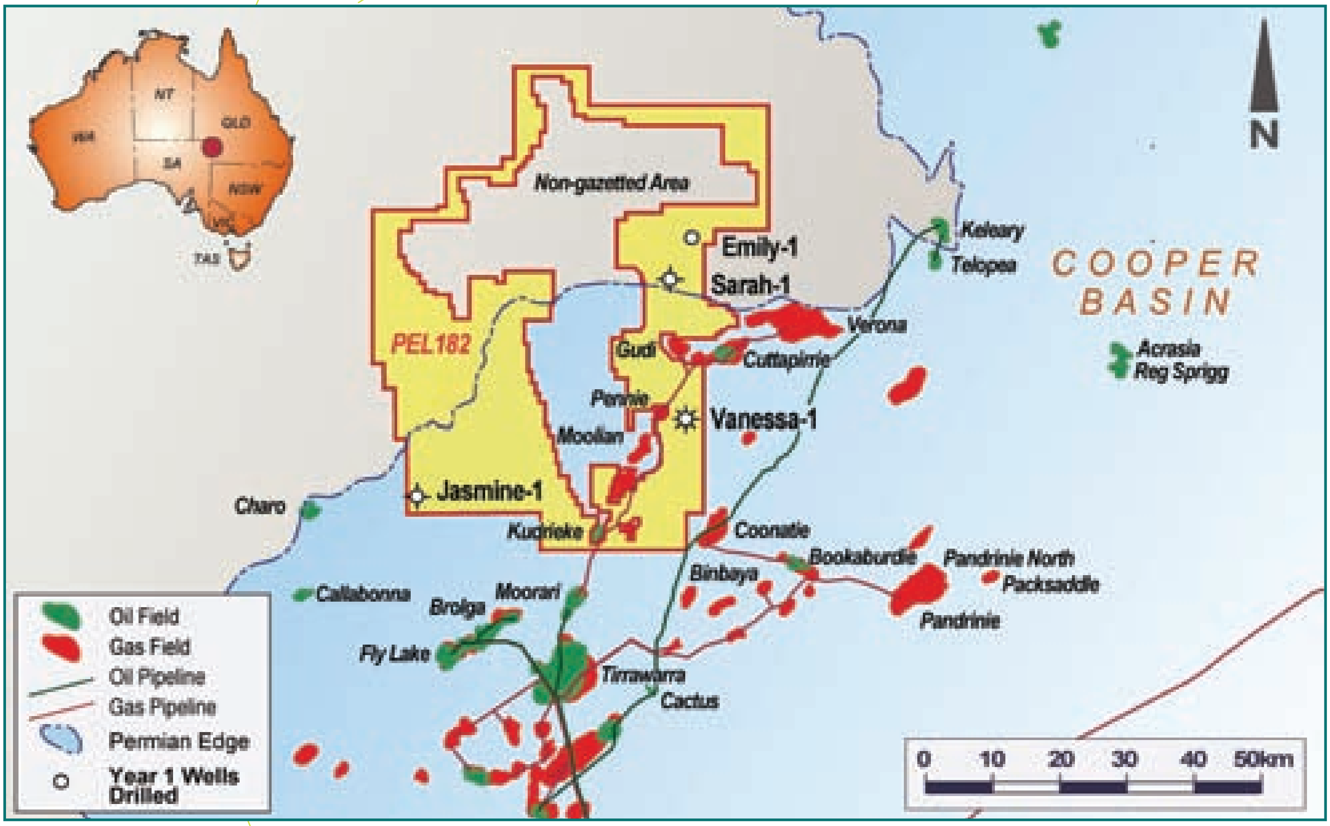
Projects Review (continued)

Oil and Gas Exploration

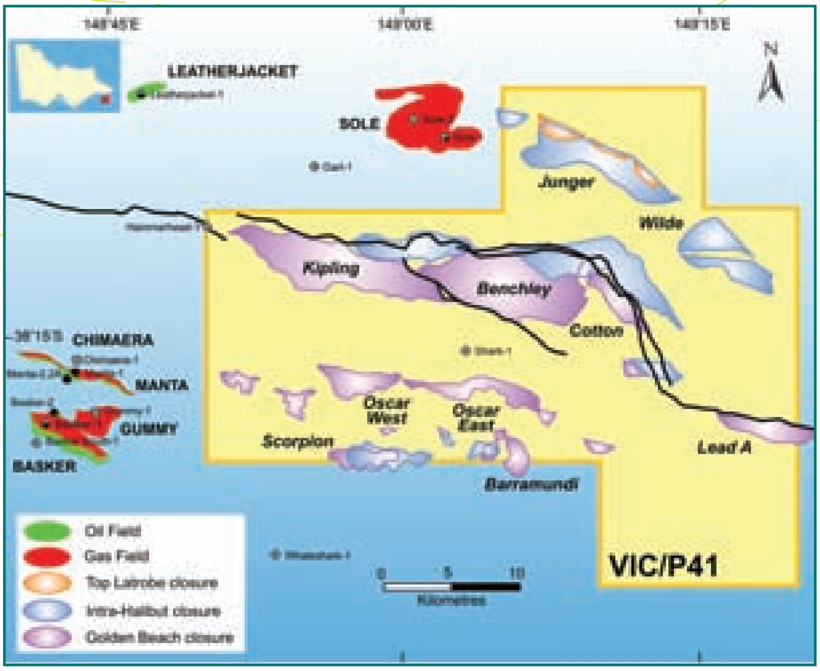
PEL 182 (SER 37.6%)
Onshore Petroleum Exploration
Cooper Basin, South Australia

PEL 182 is an under-explored Cooper Basin exploration block on-trend with other known oil and gas discoveries. Since Audax Resources Limited took over operatorship, the exploration activity and corresponding work program was reviewed and it was decided to apply for a variation in the work program from the Department of Primary Industries and Resources of South Australia. The application for a variation was successfully obtained by the operator during the first quarter of calendar 2009. The new program includes a 300 kilometre 2D seismic acquisition and reprocessing of 1000 kilometres of 2D data.

Further technical evaluation through the year led to the production of a prospects and leads inventory. The joint venture has been approached by a number of parties interested in acquiring all or part of the block via an outright sale and/or by farmin.



VIC/41 (SER 25%) Offshore Gippsland Basin Possibly diluting to 17.5% – Potentially Free Carried for the drilling of the first well



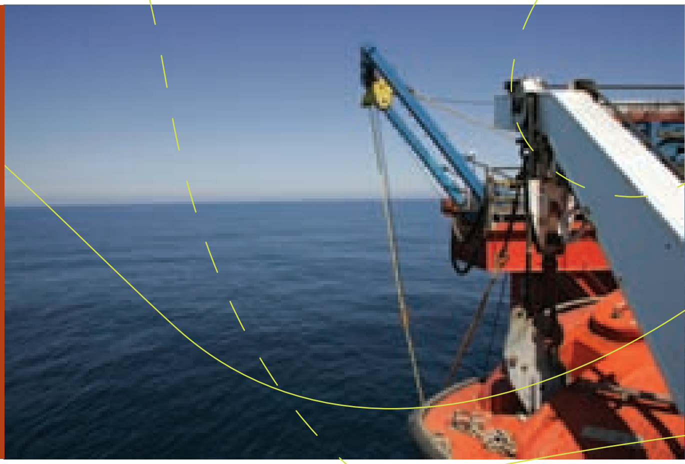
Vic/P41 is located in the offshore Gippsland Basin, approximately 40 kilometres south of the eastern Victorian coast.

The Vic/P41 joint venture has invested in both 2D and 3D seismic over several years. It contains a number of large prospects defined on modern 3D seismic, notably Kipling, Benchley and Oscar. 2D seismic recorded last year has confirmed the potential of the eastern area of the Vic/P41 permit and pointed to further potential in the adjacent Vic/P66 permit. The Lead A, Junger and Wilde features, previously defined only on sparse older data, all demonstrate structural closure based on the updated mapping.

Significantly, Lead A also exhibits anomalous amplitude responses that may be indicative of hydrocarbons and which warrant further investigation. Lead A is also interpreted to extend in to Vic/P66 and it is planned that this feature will become a focus of future work in that permit.

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

Projects Review (continued)

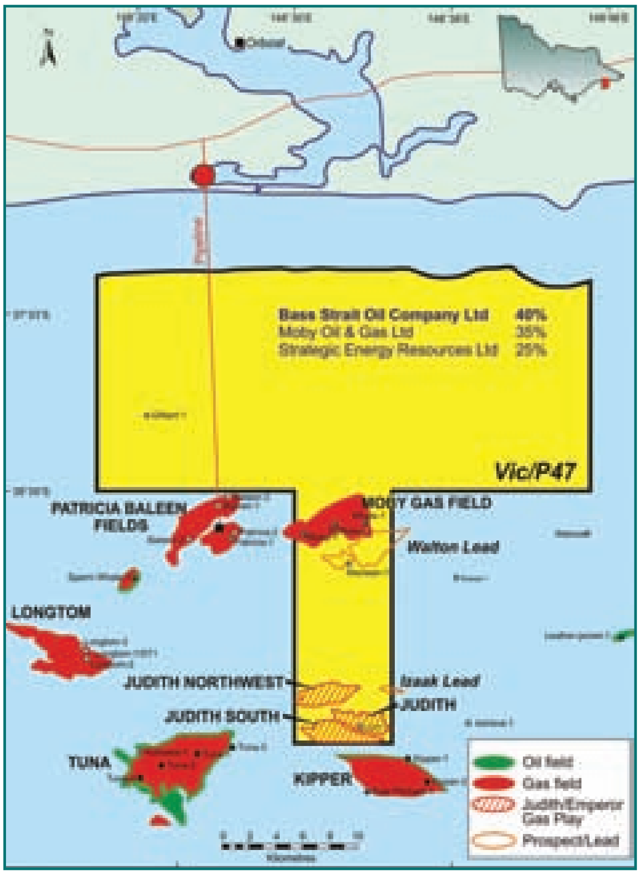


VIC/47 (SER 25%)
Offshore Gippsland Basin

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

The Vic/P47 joint venture has met or exceeded all permit commitments during the first six year permit term. The permit is currently undergoing the renewal and relinquishment process and it is anticipated that this will result in a new five year permit term in which the permit would be reduced. The joint venture expects that all prospective blocks within the original permit area will be retained.

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



The Vic/P47 joint venture is currently seeking farmin parties to fund the forward exploration programme in this permit. While no offers have been received to date, evaluation and assessment is continuing.

Permit Renewal Status

On behalf of the Vic/P47 joint venture, the operator has submitted an application to renew the permit for a second five year term. The basis of this application reflects the outcome of extensive discussion with the Joint Authority and an outcome is now expected in the December quarter.

The proposed renewal area is shown on the accompanying map. At approximately 200 square kilometres, it comprises the 3 graticular blocks from the original permit area which include the Judith and Moby Gas Fields. This area contains approximately 160 square kilometres of existing 3D seismic data and a commitment to reprocess this data is included in the proposed terms of renewal for Vic/P47.

VIC/P65 (SER 100%)
Offshore Gippsland Basin

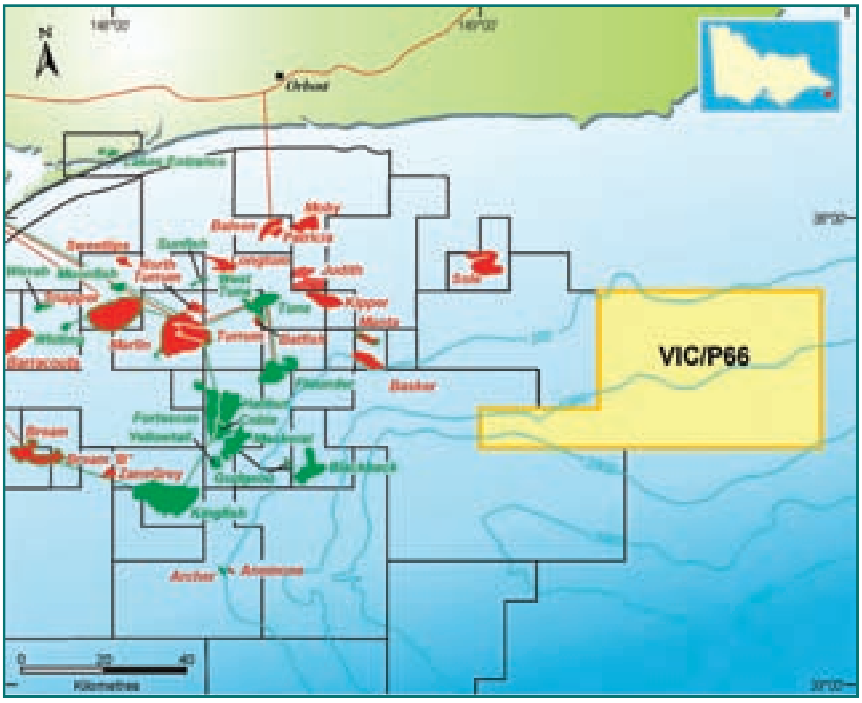
Vic/P65 is located in the offshore Gippsland Basin, and covers an area of approximately 1,348 square kilometres.

Interpretation of a 150 line kilometre 2D seismic survey acquired under a multi-operator 'group shoot' in June 2008 was undertaken. The major target in the block is a large structure located in deep water. SER are seeking a partner to fund the exploration program in this permit. The project has been presented to a large international oil company that is currently reviewing our data, as well as other oil companies.

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

VIC/P66 (SER 23%)
Offshore Gippsland Basin

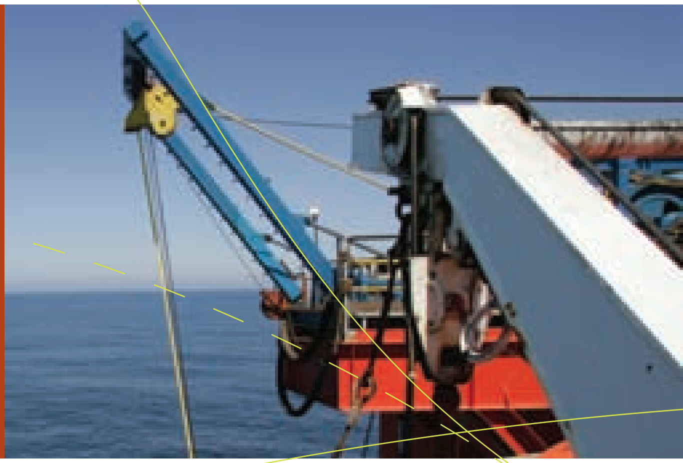
The Vic/P66 permit covers an area of 2,160 square kilometres, approximately 50 kilometres offshore in the eastern Gippsland Basin. It spans water depths from 200 metres to over 2,000 metres, all within established deepwater exploration technical limits. The eastern area of the Gippsland Basin containing Vic/P66 has not been targeted for significant exploration in the past. Distance from established fields and infrastructure and increasing water depths are two factors that likely limited earlier exploration. However, as evidenced in many areas around the world today, the demands for energy and modern oil field technology are combining to bring exploration in such areas into the industry mainstream.

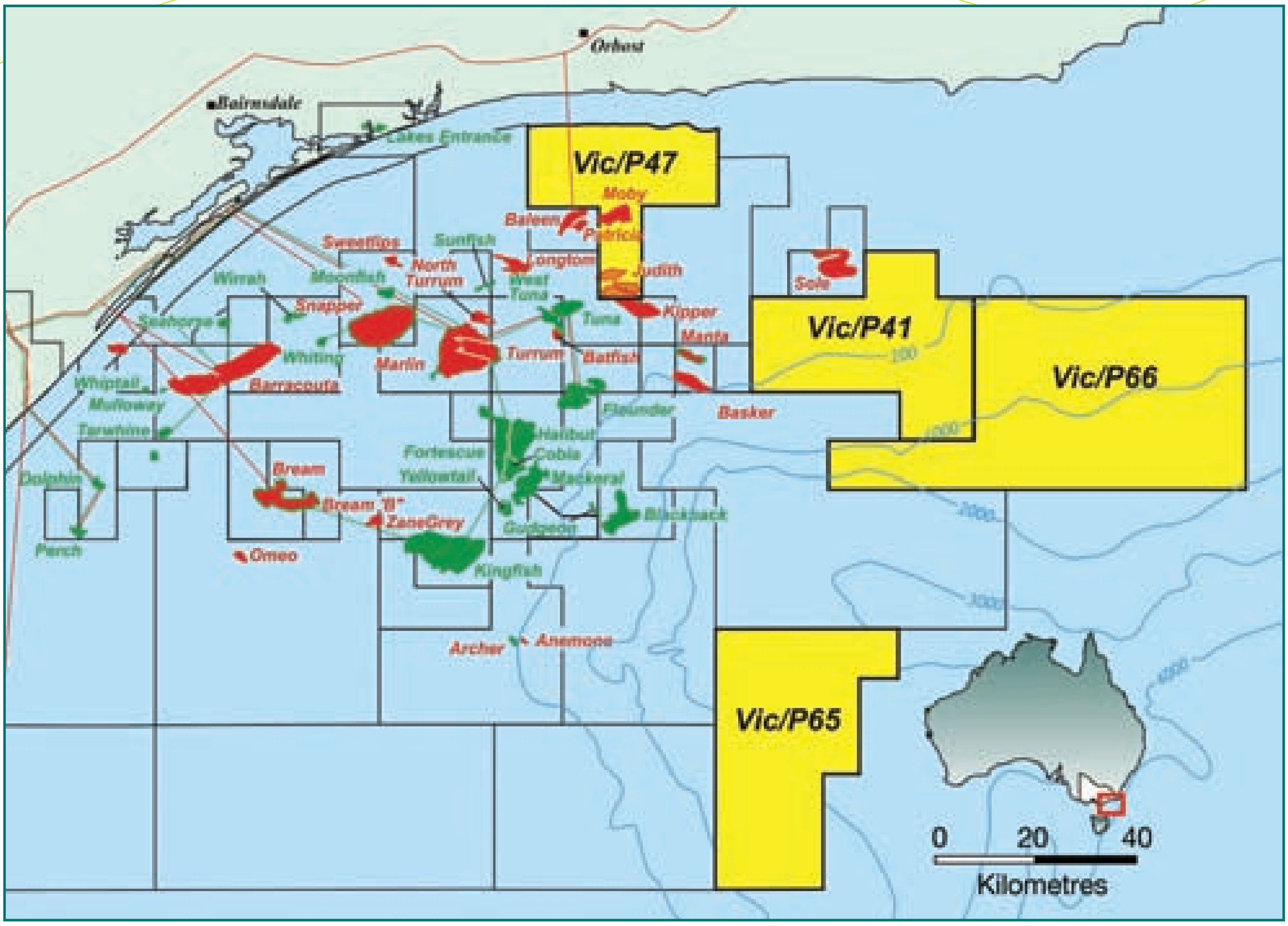


The Vic/P66 joint venture believes that this new permit provides early-stage exploration exposure to the potential for extensions of proven Gippsland Basin plays and also for the development of new play concepts. Given the relative lack of modern seismic data and recent exploration studies in the area,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

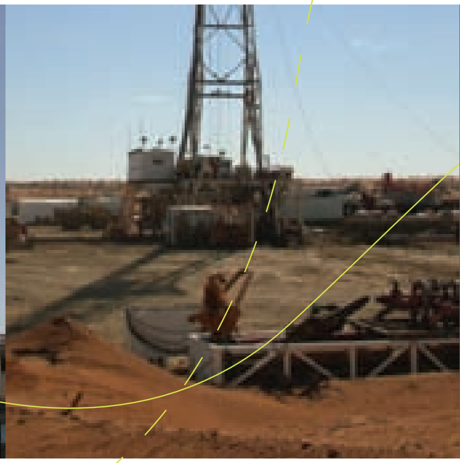
The Vic/P66 joint venture participants have interests in Vic/P41, where similar geological concepts are being pursued.

Projects Review (continued)





Offshore Gippsland Basin Permits

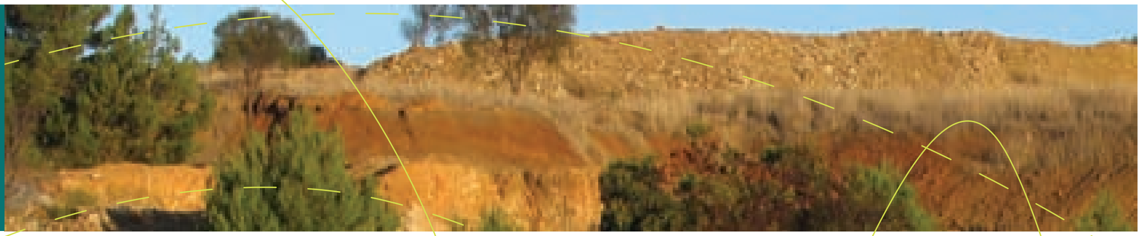


Tenement Schedule

Project	Tenements	Interest	Joint Venturer	
Oil & Gas				
VIC Gippsland Basin	VIC P41	17.5%	Bass Strait Oil Company Limited 45% Moby Oil & Gas Limited 30% Oil Basins Limited 7.5%	#
	VIC P47	25.0%	Bass Strait Oil Company Limited 40% Moby Oil & Gas Limited 35%	#
	VIC P65	100.0%		#
	VIC P66	23.0%	Bass Strait Oil Company Limited 60% Oil Basins Limited 17%	#
SA Cooper Basin	PEL-182	37.6%	Audax Resources Limited 49.9% Australian Oil Company Limited 12.5%	#
Minerals				
SA Uley *Graphite*	ML 5561 ML 5562 EL 3414 RL 66 RL 67	100.0% 100.0% 100.0% 100.0% 100.0%		
WA Falconbridge *Nickel*	E38/1970 P38/3382 P38/3383 P38/3384	95.0% 95.0% 95.0% 95.0%		
VIC Casterton *Nickel*	EL 5040	100.0%		
SA — Myall Creek (Tregalana) *Gold, copper, uranium*	EL 3538	50.0%	Minotaur Operations Pty Ltd	#
SA — Cultana *Gold, copper, uranium*	EL 3547	75.0%	Minotaur Operations Pty Ltd	#

Operator

Directors' Report



The Directors of Strategic Energy Resources Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Kim W McGrath

Position

Non-Executive Chairman (Appointed 4 December 2008)

Qualifications

BEc(Hons) LLB FAICD FTIA CPA

Experience

Mr McGrath is an internationally experienced resources finance and investment banking executive. He is the Managing Director of Delta Corporate Finance Pty Limited a specialist advisory group based in Sydney with active business interests in Australia and the UK.

His prior positions in Australia have included legal roles with Comalco and ICL, General Counsel and Company Secretary of Bank of America Australia, General Counsel with Bell Resources responsible for negotiating international lines of finance and business acquisitions, and in strategy and development as General Manager, Strategy and Planning with Industrial Equity.

During the 1990s Mr McGrath was based in London and worked on the restructure of companies in eastern Europe and particularly on major operations in CIS metals and oil trading, and associated financing in both London and Geneva.

Since returning to Australia in 1998, Mr McGrath continued to hold full practising certificates as a Solicitor in both England and Wales and in Victoria, as well as holding Australian accounting qualifications as a CPA. He has also completed the Advanced Management Programme at Oxford University and is a Fellow of the Australian Institute of Company Directors where he has successfully completed their Company Directors Course Diploma.

Directorships in listed entities or their manager where a listed trust

CVC Property Managers Limited (Director since 10 December 2004)
Oil Basins Limited (Chairman and Director since 10 May 2006)
Redbank Copper Limited (Retired 28 November 2008)

Relevant interests in shares and options

1,500,000 fully paid ordinary shares
Options nil

Mr Mark M Muzzin

Position

Managing Director (Appointed 4 December 2008)

Qualifications

B.A.

Experience

Mr Muzzin has had over 20 years of commercial experience and holds a B.A. degree from Latrobe University, Melbourne. His career commenced in the mid eighties for a London stock broking firm and he has consulted for two of the major banks in Australia in the share custodian area. He has been involved in capital raising activities for resource companies in Australia and has consulted to various oil/gas and minerals companies. Mr Muzzin is a Director of U Energy Pty Ltd which is seeking access from the Commonwealth into the Cultana Training Area in South Australia to undertake minerals exploration. He is a Director of two US quoted companies and is a Director of a number of Australian public and private companies. Mr Muzzin is a Member of the Petroleum Exploration Society of Australia.

Directorships in listed entities

Nil

Relevant interests in shares and options

2,000,000 fully paid ordinary shares
Options nil

Mr Glenister Lamont

Position

Non-Executive Director (Appointed 11 December 2008)

Qualifications

BEng Mining (Hons), MBA (IMD Switzerland) FAICD, FFin MAusIMM

Experience

Mr Lamont is a professional non-executive Director. Recent roles include Managing Director and consultant for a range of resource companies. Previously, as a GM with Ashton Mining, he led strategy and commercial implementation of business development initiatives and managed all aspects of investor and corporate affairs. Prior to that, as an Executive Director at the leading European investment bank UBS Warburg, he conducted financial, technical and strategic evaluation of mining companies and participated in a wide range of corporate transactions. He has international mining experience in base metals, gold, coal and other commodities that has included experience as a mining engineer with Preussag in Germany as well as a rock mechanics engineer and mining engineer in South Africa for Goldfields of South Africa.

Directorships in listed entities

Golden Rim Resources Limited
Top End Uranium Limited (15 May 2007 to 20 November 2008)
North Australian Diamonds Limited (24 May 2005 to 15 September 2008)
Synergy Metals Ltd (10 March 2006 to 16 November 2006)
Regis Resources Ltd (27 August 2004 to 31 October 2006)

Relevant interests in shares and options

Shares nil
Options nil

Directors' Report
CONTINUED

Ms Melanie J Leydin

Position

Non-Executive Director (Appointed 4 December 2008, resigned 11 December 2008)

Qualifications

B.Bus CA

Experience

Ms Leydin is a Chartered Accountant and principal in a chartered accounting firm specialising in audit and company secretarial services.

Mr James B Craib

Position

Non-Executive Chairman (Retired 28 November 2008)

Qualifications

Nil

Experience

Mr Craib is an accountant who was formerly responsible for the accounting and Company Secretarial functions of Strategic Energy Resources Limited, Falcon Minerals Ltd and Geographe Resources Ltd.

Mr Jonathon A Salomon

Position

Executive Director (Retired 28 November 2008)

Qualifications

B App Sc (Geol), GAICD

Experience

Mr Jonathan Salomon is an Exploration Geologist with 30 years of experience in the upstream sector of the oil, gas and petroleum industry.

Mr John T Roy

Position

Non-Executive Director (Resigned 1 December 2008)

Qualifications

P Eng

Experience

Mr Roy is a Professional Engineer with 30 years of technical, operation and management experience in the drilling sector of the oil and gas industry.

Ms Linda R Bell

Position

Executive Director and Company Secretary (Resigned 4 December 2008)

Qualifications

BA (Hons) ACA ACIS

Experience

Ms Bell is a Chartered Secretary and Chartered Accountant who has 10 years experience in public listed companies.

Information about the remuneration of Directors and senior management is set out in the remuneration report of this Directors' Report on pages 18 to 22.

Share Options on Issue at Year End or Exercised During the Year

Details of unissued ordinary shares of the Company under option at the date of this report are as follows:

Item	Number of Shares	Exercise Price	Grant Date	Expiry Date
Unlisted Options	3,250,000	15 cents	31 March 2006	30 June 2010
Unlisted Options	2,000,000	10 cents	12 December 2007	12 December 2012
Unlisted Options	8,000,000	5 cents	9 May 2008	9 May 2013

During the year 89,932,843 options lapsed and 9,000,000 were cancelled.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company.

Company Secretary

Ms Melanie J Leydin

B.Bus CA

Appointed 4 December 2008

Ms Leydin is a Chartered Accountant and principal in a chartered accounting firm specialising in audit and company secretarial services. Ms Leydin has 18 years experience in the accounting profession and is a Director and company secretary for a number of junior oil and gas, mining and exploration entities listed on the Australian Stock Exchange.

Principal Activities

The principal activities of the Group are exploration for oil and gas and minerals in Australia and continuing care and maintenance of the Uley graphite mine in South Australia while examining development opportunities.

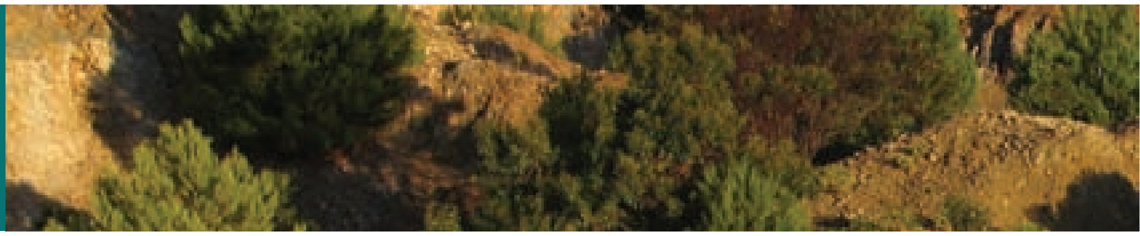
Operating Results

The Group's consolidated net loss for the year after applicable income tax was $2,071,170 (2008: $2,398,703 loss).

Review of Operations

The Company's Review of Operations is preceding this Directors' Report on page 3 to this Financial Report.

Directors' Report
CONTINUED



Review of Financial Position

The net assets of the consolidated entity have decreased by $2,063,170 to $1,515,889 as at 30 June 2009. The major movements were due to administrative and exploration expenses.

The consolidated entity's working capital, being current assets less current liabilities was $1,456,684 compared with $3,313,488 in 2008.

As a result of the above together with the events occurring after balance date, the Directors believe the Company is in a strong and stable position to review and rationalise its assets and take up any development opportunities.

Future Developments

Disclosure of further information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to consolidated entity. Accordingly, this information has not been disclosed in this report.

Events Subsequent to Balance Date

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years, other than:

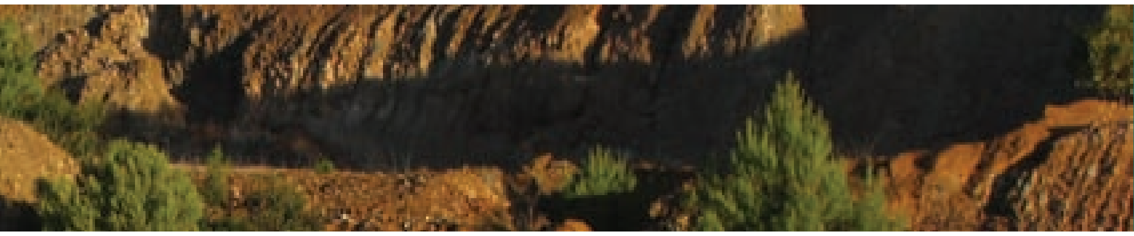
- Subsequent to balance date, a claim has been recently filed in the Warden's Court in W.A. by a minority partner in respect of Falconbridge, which the Directors believe will be dismissed.
- Subsequent to balance date, the original vendor of Falconbridge has become entitled to a 5% free carried interest to bankable feasibility and to all gold rights.
- Subsequent to balance date, the Company has sold it's shareholding in Australian Oil Company Limited. The gross proceeds on sale were $38,500.00, giving a net loss after brokerage of $12,085.00.

Dividends

No dividend has been declared or paid during the financial year and the Directors do not recommend the payment of any dividend in respect of the current or preceding financial years.

Environmental Regulations

The economic entity holds participating interests in a number of exploration tenements. 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 Group 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.



Proceedings on Behalf of the Company

No person has applied for leave of the Court under Section 327 of the Corporations Act 2001 to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any proceedings during the year other than subsequent to balance date an event has arisen per Events Subsequent to Balance Date above.

Changes in State of Affairs

There were no significant changes in the State of Affairs during the financial year of the consolidated entity.

Directors' Meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director. During the financial year, 7 Board meetings and 1 audit committee meetings were held. There is no separate remuneration or nomination committee other than the Board.

	Board Of Directors		Audit Committee	
Directors	**Held**	**Attended**	**Held**	**Attended**
Mr J Craib (Retired 28 November 2008)	2	2	—	—
Mr J Salomon (Retired 28 November 2008)	2	2	—	—
Mr J Roy (Resigned 1 December 2008)	2	2	—	—
Ms L Bell (Resigned 4 December 2008)	2	2	—	—
Mr K McGrath (Appointed 4 December 2008)	5	5	1	1
Mr M Muzzin (Appointed 4 December 2008	5	5	—	—
Mr G Lamont (Appointed 11 December 2009)	4	4	1	1
Ms M Leydin (Appointed 4 December 2008, Resigned 11 December 2008)	1	1	—	—

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such as Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' Report
CONTINUED

Non-Audit Services

The following non-audit services were provided by the entity's previous auditor, Stantons International Pty Ltd. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Stantons International Pty Ltd received the following amounts for the provision of non-audit services:

Tax compliance services: $2,889

Auditor's Independence Declaration

A copy of the auditor's independence declaration under s.307C of the Corporations Act 2001 in relation to the audit of the full year is included on page 23.

Remuneration Report (Audited)

The remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Strategic Energy Resources Limited's Directors and its senior management for the financial year ended 30 June 2009. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and Senior Management Details
- Remuneration Policy
- Relationship Between The Remuneration Policy and Company Performance
- Remuneration of Directors and Senior Management
- Key Terms of Employment Contracts.

Director and Senior Management Details

The following persons acted as Directors of the Company during or since the end of the financial year:

James Benton Craib (Retired 28 November 2008)
Jonathon Arnold Salomon (Retired 28 November 2008)
John Thomas Roy (Resigned 1 December 2008)
Linda Russell Bell (Resigned 4 December 2008)
Kim Warren McGrath (Appointed 4 December 2008)
Mark Anthony Muzzin (Appointed 4 December 2008)
Melanie Jaye Leydin (Appointed 4 December 2008, Resigned 11 December 2008)
Glenister Lamont (Appointed 11 December 2008)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Ian Barr (Manager Oil & Gas) (Resigned 4 December 2008)
Linda Russell Bell (Company Secretary) (Resigned 4 December 2008)
Melanie Jaye Leydin (Company Secretary) (Appointed 4 December 2008)

This report outlines the remuneration arrangements in place for Directors and executives of Strategic Energy Resources Limited (the "Company").

The Board policy for determining the nature and amount of remuneration of Directors and executives is agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership.

Executive Director Remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration package to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as appropriate.

Non-Executive Director Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. The limit of Non-Executive Director fees was set at a maximum of $150,000 at a general meeting of shareholders held on 31 March 2006. Non-Executive Directors receive no retirement benefits apart from statutory superannuation and any related salary sacrifice. Non-Executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, which is subject to shareholder approval in accordance with the ASX Listing Rules.

The amount of aggregate remuneration sought to be approved by Shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the Non-Executive Directors when undertaking the annual review process.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution. Further details regarding components of Director and executive remuneration are provided below.

Company Performance, Shareholder Wealth and Director and Executive Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. The achievement of this aim has been through the issue of options to Directors and executives to encourage the alignment of personal and shareholder interests.

Non-Executive Directors, other key management personnel and other senior employees have been granted options over ordinary shares. The recipients of options are responsible for growing the Company and increasing shareholder value. The options provide an incentive to the recipients to remain with the Company and to continue to work to enhance the Company's value.

Directors' Report
CONTINUED

Relationship Between The Remuneration Policy and Company Performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the period to 30 June 2009:

	30/6/09	30/6/08	30/6/07	30/6/06	30/6/05
Revenue	119,753	616,802	1,250,346	312,020	282,655
Net profit/(loss) before tax	(2,071,170)	(2,398,703)	(1,520,680)	(2,601,202)	(2,567,227)
Net profit/(loss) after tax	(2,071,170)	(2,398,703)	(1,520,680)	(2,601,202)	(2,567,227)
Share price at start of year	$0.03	$0.04	$0.05	$0.08	$0.04
Share price at end of year	$0.01	$0.03	$0.04	$0.05	$0.08
Basic earnings per share	(0.72)	(0.83)	(0.61)	(1.14)	(1.43)
Diluted earning per share	(0.72)	(0.83)	(0.61)	(1.14)	(1.43)

No dividends have been paid for the past 5 years.

The remuneration of the Directors and executives are not linked to the performance, share price or earnings of the Company.

Remuneration of Directors and Senior Management

The compensation of each member of the key management personnel of the consolidated entity is set out below.

Details of Remuneration for Year Ended 30 June 2009

The remuneration for each Director and each of the five executive officers of the Company and Controlled Entities receiving the highest remuneration during the year was as follows:

	Short-term employment benefits		Post-employment	Termination Benefits	Share Based Payments		Total
	Salary, Fees and Commissions (1) $	Non-Monetary $	Superannuation Contribution $	$	Shares Received as Compensation $	Options Received as Compensation $	$
Mr J Craib	17,203	—	1,548	—	—	—	18,751
Mr J Roy	17,203	—	1,548	—	—	—	18,751
Mr J Salomon	181,205	—	1,548	—	—	—	182,753
Ms L Bell	111,916	—	10,072	32,110	—	—	154,098
Mr K McGrath	59,568	—	3,417	—	—	—	62,985
Mr G Lamont	22,258	—	2,003	—	—	—	24,261
Mr M Muzzin	110,092	—	9,908	—	—	—	120,000
Ms M Leydin	—	—	—	—	—	—	—
Mr I Barr	93,250	—	—	—	—	—	93,250
	612,695	**—**	**30,044**	**32,110**	**—**	**—**	**674,849**

(1) Including consulting fees

Details of Remuneration for Year Ended 30 June 2008

The remuneration for each Director and each of the five executive officers of the Company and Controlled Entities receiving the highest remuneration during the year was as follows:

	Short-term employment benefits		Post-employment	Termination Benefits	Share Based Payments		Total
	Salary, Fees and Commissions (1) $	Non-Monetary $	Superannuation Contribution $	$	Shares Received as Compensation $	Options Received as Compensation $	$
Mr J Craib	77,362	2,685	6,963	—	—	44,100	131,110
Mr J Roy	38,991	2,685	3,509	—	—	44,100	89,285
Mr J Salomon	101,809	2,685	1,548	—	—	79,357	185,399
Ms L Bell	157,214	2,685	14,149	—	—	44,100	218,148
Mr A Rechner	50,043	20,447	679	—	—	—	71,169
Mr I Barr	285,750	2,685	—	—	—	111,987	400,422
	711,169	**33,872**	**26,848**	**—**	**—**	**323,644**	**1,095,533**

(1) Including consulting fees

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Options Issued as Part of Remuneration for the Year Ended 30 June 2009

There were no options granted to Directors and executives as part of their remuneration for the year ended 30 June 2009.

Options Issued as Part of Remuneration for the Year Ended 30 June 2008

Options are intended to be issued to Directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to increase goal congruence between Directors, executives and shareholders.

	Grant Date	Vesting Date	Number of Options granted	Total value of options granted at grant date[1]	Exercise Price of Options $	Expiry Date of Options	Options Vested during the year No.	Vested but not exercisable No.	% of options granted vested in the current year	% of remuneration granted through options
Mr J Craib	9/5/08	9/5/08	2,000,000	44,100	0.05	9/5/13	2,000,000	—	100%	33.64%
Mr J Roy	9/5/08	9/5/08	2,000,000	44,100	0.05	9/5/13	2,000,000	—	100%	49.39%
Ms L Bell	9/5/08	9/5/08	2,000,000	44,100	0.05	9/5/13	2,000,000	—	100%	23.79%
Mr J Salomon	9/5/08	9/5/08	3,000,000	66,150	0.05	9/5/13	—	3,000,000	0%	16.52%
Mr J Salomon	9/5/08	9/5/09	3,000,000	61,425	0.075	9/5/14	—	3,000,000	0%	4.72%
Mr J Salomon	9/5/08	9/5/10	3,000,000	62,550	0.10	9/5/15	—	3,000,000	0%	2.40%
Mr I Barr	9/5/08	9/5/08	2,000,000	44,100	0.05	9/5/13	2,000,000	—	100%	11.01%
Mr I Barr	12/12/08	13/12/07	2,000,000	67,887	0.10	12/12/12	2,000,000	—	100%	16.95%
Total			**19,000,000**	**434,412**			**10,000,000**	**9,000,000**		

(1) The value of options granted during the financial year is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

There is no service criteria for the granting of options.

Directors' Report
CONTINUED

Shares Issued as Part of Remuneration for the Year Ended 30 June 2009

There were no shares issued as part of remuneration for the year ended 30 June 2009.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2008

There were no shares issued as part of remuneration for the year ended 30 June 2008.

Employment contracts

The Executive Director, Mr J Salomon, was employed under contract during the year. The terms of the agreement were consultancy payments of $255,000 per annum paid pro rata for the days worked, plus annual Director's fees including statutory superannuation of $45,000 per annum, plus options as issued on 9th May 2008.The term of this contract ended on 24 March 2009 and was not renewed. He retired as a Director on 28 November, 2008.

The Manager Oil & Gas, Mr I Barr, was employed under contract during the year. The terms of the agreement were consultancy payments of $1,250 per day for at least 180 days per annum The contract expired in November 2008 and required 60 days notice of termination. The contract has lapsed.

The Executive Director, Ms L Bell was employed under contract during the year and retired on 6 March, 2009 as CFO.

During the financial year there were no other Directors employed under employment contracts.

End of remuneration report.

Signed in accordance with a resolution of the Directors made pursuant to setcion 298(2) of the Corporations Act 2001.

On behalf of the Directors

Kim Warren McGrath
Chairman
MELBOURNE, 30 September 2009

Auditor's Independence Declaration

BDO Kendalls

BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd
The Rialto, 525 Collins St
Melbourne VIC 3000
GPO Box 4736 Melbourne VIC 3001
Phone 61 3 8320 2222
Fax 61 3 8320 2200
aa.melbourne@bdo.com.au
www.bdo.com.au

ABN 17 114 673 540

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

As lead auditor of Strategic Energy Resources Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

Nicholas E. Burne
Director

BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd
Chartered Accountants

Melbourne, dated the 30th day of September 2009

Auditor's Audit Report 1

BDO

BDO Kendalls

BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd
The Rialto, 525 Collins St
Melbourne VIC 3000
GPO Box 4736 Melbourne VIC 3001
Phone 61 3 8320 2222
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ABN 17 114 673 540

INDEPENDENT AUDITOR'S REPORT

To the members of Strategic Energy Resources Limited

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Strategic Energy Resources Limited for the year ended 30 June 2009 included on Strategic Energy Resources Limited's web site. The company's directors are responsible for the integrity of Strategic Energy Resources Limited's web site. We have not been engaged to report on the integrity of Strategic Energy Resources Limited's web site. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Report on the Financial Report

We have audited the accompanying financial report of Strategic Energy Resources Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Auditor's Audit Report 2

BDO Kendalls

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Strategic Energy Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

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

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 18 to 22 in the directors' report for the year ended 30 June 2009. 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.

Auditor's Audit Report 3

BDO Kendalls

Auditor's Opinion

In our opinion, the Remuneration Report of Strategic Energy Resources Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls

BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd
Chartered Accountants

Nicholas E. Burne
Director

Melbourne, dated the 30th day of September 2009

Directors' Declaration

The Directors declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
    a. comply with Accounting Standards and the Corporations Regulation 2001 and;
    b. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and the Consolidated entity.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included in pages 18 to 22 of the Directors' report (as part of audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the Corporations Act 2001.
4. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

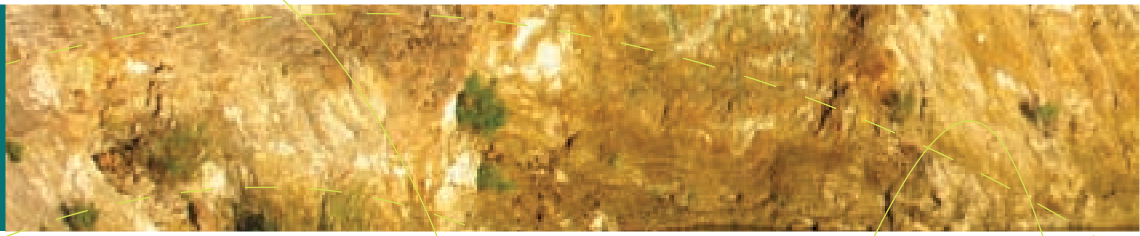
Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

Kim Warren McGrath
Chairman
Melbourne, 30 September 2009

Income Statement

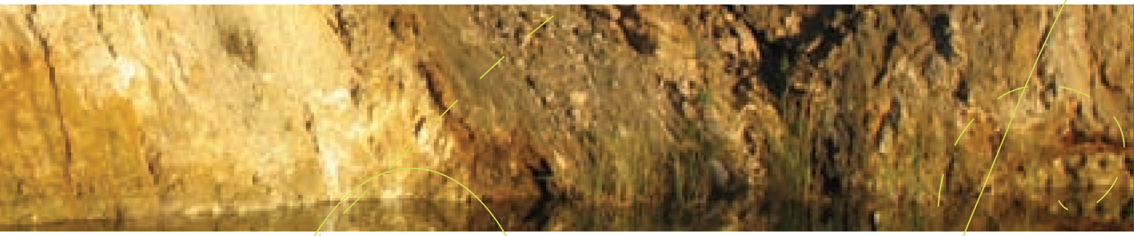
FOR THE YEAR ENDED 30 JUNE 2009



	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Revenue	3	119,753	616,802	119,372	616,744
Depreciation of plant & equipment		(28,323)	(29,276)	(23,000)	(23,993)
Exploration expenditure written off		(461,904)	(2,193,690)	(461,904)	(2,193,690)
Loss on fair value adjustment to Held for Trading Investment		(102,143)	—	(102,143)	—
Write back of rehabilitation provision		58,000		58,000	
Provision against loan to subsidiary		—	—	(120,065)	(130,265)
Occupancy expenses		(129,577)	(115,320)	(124,527)	(110,283)
Legal fees		(32,385)	822,612	(32,385)	822,612
Exchange gain/(loss)		(935)	(6,204)	(935)	(6,204)
Profit/(loss) disposal of assets		(721)	(16,551)	(721)	(14,551)
Administration expenses		(1,492,935)	(1,477,076)	(1,334,441)	(1,383,113)
Loss before income tax	4	(2,071,170)	(2,398,703)	(2,022,749)	(2,422,743)
Income tax expense	5	—	—	—	—
Loss for the year		**(2,071,170)**	**(2,398,703)**	**(2,022,749)**	**(2,422,743)**

	Note	Cents per Share	Cents per Share
Loss per Share			
Basic Loss per share	25	(0.72)	(0.83)
Diluted Loss per share	25	(0.72)	(0.83)

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



Balance Sheet

AS AT 30 JUNE 2009

	Note	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Current Assets					
Cash and cash equivalents	22(a)	1,366,013	3,813,961	1,363,184	3,767,257
Trade and other receivables	8	23,671	293,872	23,408	292,080
Other current assets	9	56,679	19,612	56,679	19,612
Other Financial assets	10	80,417	—	80,417	—
Total Current Assets		**1,526,780**	**4,127,445**	**1,523,688**	**4,078,949**
Non—Current Assets					
Plant and equipment	11	59,205	76,034	36,742	48,248
Other Financial assets	10	—	163,888	15	163,888
Other non-current assets	12	—	25,649	—	25,649
Total Non-Current Assets		59,205	265,571	36,757	237,785
Total Assets		**1,585,985**	**4,393,016**	**1,560,445**	**4,316,734**
Current Liabilities					
Trade and other payables	13	70,096	755,957	70,096	753,636
Provisions	14	—	58,000	—	58,000
Total Current Liabilities		70,096	813,957	70,096	811,636
Total Liabilities		70,096	813,957	70,096	811,636
Net Assets		**1,515,889**	**3,579,059**	**1,490,349**	**3,505,098**
Equity					
Issued capital	15	26,268,925	26,268,925	26,268,925	26,268,925
Reserves	16	343,787	589,144	343,787	589,144
Accumulated losses		(25,096,823)	(23,279,010)	(25,122,363)	(23,352,971)
Total Equity		**1,515,889**	**3,579,059**	**1,490,349**	**3,505,098**

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

CONSOLIDATED	Issued Capital Note 15	Accumulated Losses	Reserves Note 16	Total
Equity as at 1 July 2007	26,268,925	(20,880,307)	286,000	5,674,618
Change in value of investments	—	—	(20,500)	(20,500)
Total income and expense for the year recognised directly in equity	—	—	(20,500)	(20,500)
Loss for the year	—	(2,398,703)	—	(2,398,703)
Total income and expense for the year	—	(2,398,703)	—	(2,398,703)
Share based payments	—	—	323,644	323,644
Equity as at 30 June 2008	26,268,925	(23,279,010)	589,144	3,579,059
Change in value of investments	—	—	8,000	8,000
Total income and expense for the year recognised directly in equity	—	—	8,000	8,000
Loss for the year	—	(2,071,170)		(2,071,170)
Total income and expense for the year	—	(2,071,170)	—	(2,071,170)
Share based payments	—	253,357	(253,357)	—
Equity as at 30 June 2009	**26,268,925**	**(25,096,823)**	**343,787**	**1,515,889**

PARENT	Issued Capital Note 15	Accumulated Losses	Reserves Note 16	Total
Equity as at 1 July 2007	26,268,925	(20,930,228)	286,000	5,624,697
Change in value of investments	—	—	(20,500)	(20,500)
Total income and expense for the year recognised directly in equity	—	—	(20,500)	(20,500)
Loss for the year (A)	—	(2,422,743)	—	(2,422,743)
Total income and expense for the year	—	(2,422,743)	—	(2,422,743)
Share based payments	—	—	323,644	323,644
Equity as at 30 June 2008	26,268,925	(23,352,971)	589,144	3,505,098
Change in value of investments	—	—	8,000	8,000
Total income and expense for the year recognised directly in equity	—	—	8,000	8,000
Loss for the year	—	(2,022,749)		(2,022,749)
Total income and expense for the year	—	(2,022,749)	—	(2,022,749)
Options cancelled/lapsed	—	253,357	(253,357)	—
Equity as at 30 June 2009	**26,268,925**	**(25,122,363)**	**343,787**	**1,490,349**

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

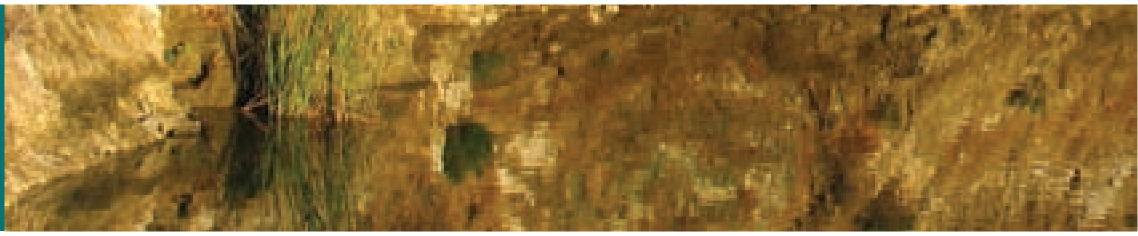
Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2009

	Note	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Cash flows from operating activities					
Management fees received		225,595	160,898	225,595	160,898
Interest received		117,903	311,201	117,522	311,143
Bank Guarantee		(20,000)	—	(20,000)	—
Payments to suppliers and employees		(2,748,560)	(3,219,314)	(2,584,224)	(3,118,153)
Net cash used in operating activities	22(c)	**(2,425,062)**	**(2,747,215)**	**(2,261,107)**	**(2,646,112)**
Cash flows from investing activities					
Proceeds from sale of plant		8,000	42,736	8,000	42,736
Payments for plant and equipment		(20,214)	(18,412)	(20,214)	(14,971)
Payment for investment in subsidiary		—	—	(15)	—
Payments for investments in listed entities		(10,672)	—	(10,672)	—
Loans to subsidiaries		—	—	(120,065)	(130,265)
Net cash used from investing activities		**(22,886)**	**24,324**	**(142,966)**	**(102,500)**
Net (Decrease)/Increase in cash and cash		**(2,447,948)**	**(2,722,891)**	**(2,404,073)**	**(2,748,612)**
Cash and cash equivalents at beginning of the financial year		3,813,961	6,536,852	3,767,257	6,515,869
Cash and cash equivalents at the end of the financial year	22(a)	**1,366,013**	**3,813,961**	**1,363,184**	**3,767,257**

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

Notes to and Forming Part of the Financial Statements



1. Summary of accounting policies

Corporate Information

Strategic Energy Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group and the Company comply with International Financial Reporting Standards ('IFRS').

The financial report was authorised for issue by the Directors on 30th September 2009.

Basis of preparation

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

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The Group has also adopted the following standards as listed below which impacted on the Group's financial statements with respect to disclosure.

The following significant accounting policies set out below have been applied in the preparation and presentation of the financial report.

(a) Going Concern

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

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Strategic Energy Resources Limited and its subsidiaries as at 30 June each year ("the Group"). Subsidiaries are entities over which the group has the power to govern financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless costs cannot be recovered.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies and are accounted for in the parent entity financial statements at cost.

At 30 June 2009 there were 3 subsidiary entities, as detailed in Note 21.

(c) Joint venture assets

Interests in jointly controlled assets in which the Group is a venturer (and so has joint control) are included in the financial statements by recognising the Group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with other venturers) and the Group's share of expenses incurred by or in respect of each joint venture.

(d) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) Cash and cash equivalents

For the purposes of the cashflow statement, cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at date of acquisition.

(f) Financial instruments issued by the company

Transaction costs on the issue of equity instruments

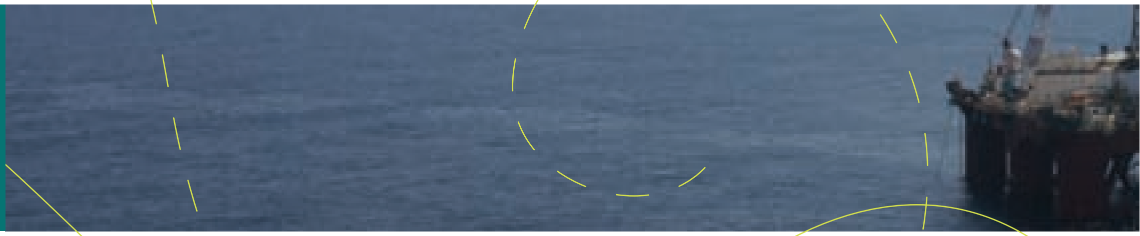
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:



i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) Impairment of assets

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(j) Exploration and evaluation expenditure

Exploration, evaluation and relevant acquisition costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs and an appropriate portion of related overhead expenditure. They do not include general overhead or administrative expenditure not having a specific nexus with a particular area of interest. Costs of this nature are expensed as incurred.

(k) Mine Properties

Mine properties represent the accumulation of all exploration, evaluation, and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which a decision to commence mining of a mineral resource has been taken.

Where further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property, only when substantial economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount, that excess is fully provided against in the financial year in which this is determined. The expected net cash flows included in determining recoverable amount are discounted to their present value.

(l) Investments and Other Financial Assets

Investments

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

Held for Trading

Investments held for trading are measured at fair value with gains or losses recognised in the income statement. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the short term or if it is a derivative that is not designated as a hedge. Investments held for trading are classified as current assets on the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets, and are classified as non-current assets (unless management intends to dispose of the investment within 12 months of reporting date). After initial recognition, these investments are measured at fair value with gains or losses recognised as a separate component of equity (available-for-sale investments revaluation reserve). Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment) the full amount including any amount previously charges to equity, is recognised in the income statement. Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available for sale reserve. On sale the amount held in available for sale reserves associated with that asset is removed from equity and recognised in the income statement. Interest on corporate bonds classified as available for sale is calculated using the effective interest rate method and is recognised in finance income in the income statement.

Investments in subsidiaries, associates and joint venture entries are accounted for in the consolidated financial statements as described in note 1(b) and in the parent entity financial statements at cost in accordance with the cost alternative permitted in separate financial statements under AASB 127 Consolidated and Separate Financial Statements.

Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through the income statement. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through the income statement where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in the income statement.

The fair value of quoted investments are determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Loans and receivables

Non-current loans and receivables include loans due from related parties within 366 days of balance sheet date. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating. The discount is debited on initial recognition to the investment account.

Impairment losses are measured as the difference between the investment's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in the income statement.

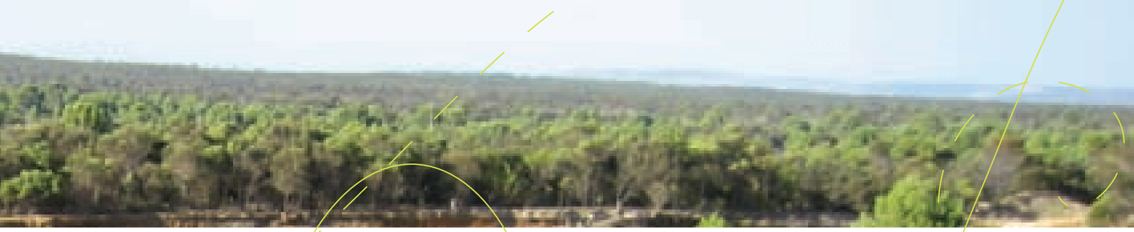
Trade receivables

Trade receivables that are recognized at original invoice amounts less an allowance for uncollectible amounts over 60 days. Amounts known to be uncollectible are written off. Trade receivables consist of GST receivable.

Fair values

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at balance sheet date. The quoted market price for financial assets is the current bid price and the quoted market price.



The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at balance date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at balance sheet date. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discontinuing the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(m) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

The gain or loss arising on disposal or retirement of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Plant and equipment	5 – 15 years

(n) Share-Based Payments

Equity-settled share-based payments with employees and other providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 27.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The cumulative expense recognised between grant date and vesting date is adjusted to reflect the best estimate of the number of options that will ultimately vest because of internal conditions, such as the employee having to remain with the Company until vesting date.

(o) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest Revenue

Revenue is recognised as interest accures using the effective interest method. The effective interest method uses the effective interest rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Management Fees

Revenue from management fees is recognised when the service is provided.

(p) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

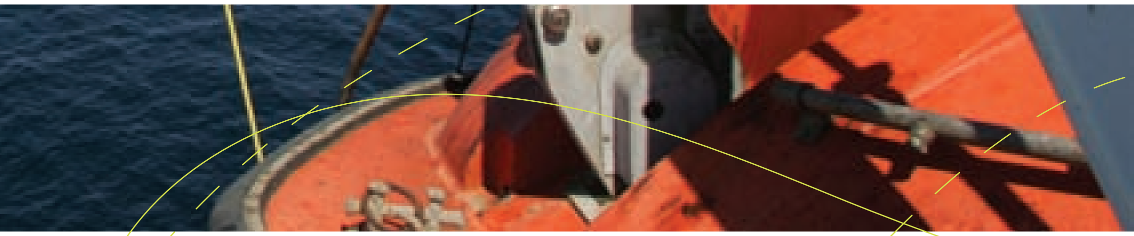
(q) Foreign currency translation

Both the functional and presentation currency of Strategic Energy Resources Limited and its Australian subsidiaries is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

(r) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30–60 day payment terms.



(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(t) Leases

Leases where the lessor retains sunstantially all the risks and rewards of ownership of the net asset are classified as operating leases.

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the entity, 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 shares issued during the year.

Diluted earnings per share

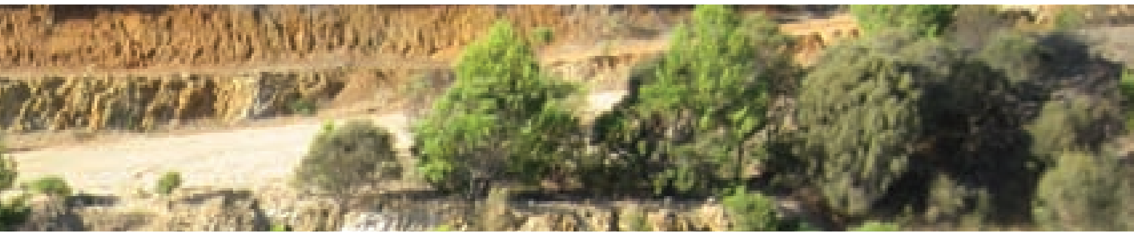
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) **Standards and Interpretations issued not yet effective**

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

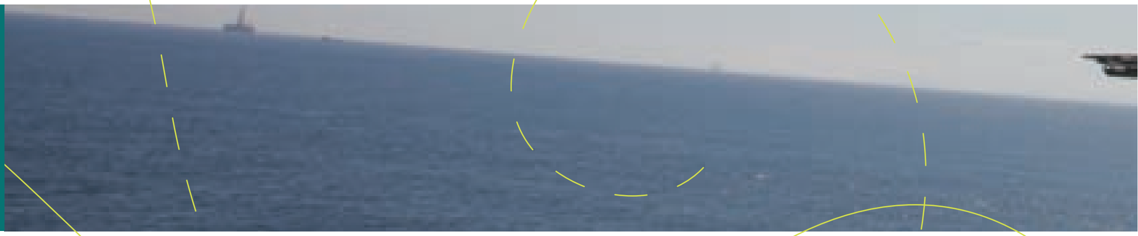
Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

Standard/Interpretation	Explanation of amendments	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007–8 'Amendments to Australian Accounting Standards arising from AASB 101'	AASB 101R contains a number of changes from the previous AASB 101. The main changes are to require that an entity must: • present all non-owner changes in equity ('comprehensive income') either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income • present an additional statement of financial position (balance sheet) as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in its financial statements • disclose income tax relating to each component of other comprehensive income • disclose reclassification adjustments relating to components of other comprehensive income	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	AASB 8 supersedes AASB 114. AASB 8 has a different scope of application to AASB 114; it is applicable only to listed entities and those in the process of listing, and requires that segment information be disclosed using the management approach. This may result in a different set of segments being identified than those previously disclosed under AASB 114.	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010



Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and the Company:

Standard/Interpretation	Explanation of amendments	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	AASB 123R incorporates amendments removing the option to immediately expense borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3R amends how entities account for business combinations and changes in ownership interests in subsidiaries. Many changes have been made to this standard affecting acquisition related costs, step acquisitions, measurement of goodwill and contingent considerations. AASB 3 also replaces the term "Minority Interest" with "Non-controlling Interest".	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009) AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard — Share-based payments: Vesting Conditions and Cancellations'	AASB 2008-1 was issued after the AASB made changes to AASB 2 Share Based Payments including: Clarifying that vesting conditions are service conditions and performance conditions only, and that other features of a share-based payment are not vesting conditions. Cancellations, whether by the entity or by other parties.	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	AASB 2008-5 makes a number of minor, but necessary amendments to different Standards arising from the annual improvements project. The amendments largely clarify accounting treatments where previous practice had varied, with some new or amended requirements introduced. The changes addressed include accounting for advertising and promotional expenditure, investment property under construction and the reclassification to inventories of property, plant and equipment previously held for rental when the assets cease to be rented and are held for sale.	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010



Standard/Interpretation	Explanation of amendments	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	AASB 2008-6 makes further amendments arising from the annual improvements project. These amendments are made to AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary, and the requirements for all assets and liabilities of such subsidiaries sale.	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
AASB 2008-7 'Amendments to Australian Accounting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	AASB 2008-7 makes changes to a number of accounting standards, for the purpose of reducing the burden on parent entities when complying with AASB 127 and measuring the cost of a subsidiary at acquisition in their separate financial statements in certain circumstances.	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010

2. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 1, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

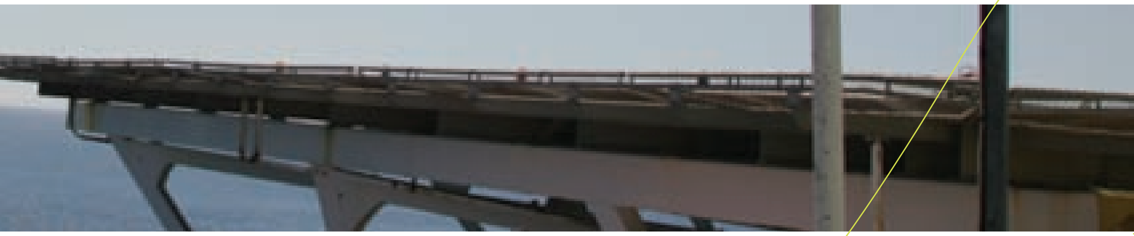
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affect both current and future periods.

Estimation of useful lives of property, plant and equipment

The estimation of useful lives of property, plant and equipment has been based on historical experience as well as manufacturers' warranties (for plant and equipment). Adjustments to useful lives are made when considered necessary and reviewed at each balance date as stated in Note 1(l). Depreciation and amortisation charges as well as estimated lives are included in Notes 1(l) and 11.

Recognition of Deferred Tax Assets

Judgement is required in determining whether deferred tax assets should be recognized on the balance sheet. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilized.

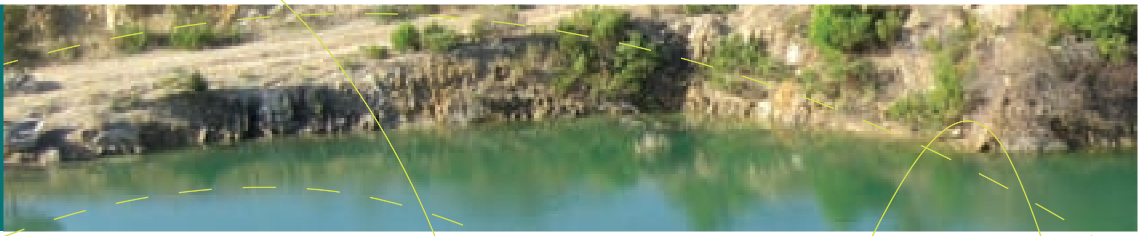


3. Revenue

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Revenue from continuing operations consisted of the following items				
Change in market value of investments held for trading	—	6,458	—	6,458
Management fees	—	289,290	—	289,290
Interest revenue	119,753	321,054	119,372	320,996
Total Revenue	**119,753**	**616,802**	**119,372**	**616,744**

4. Loss from Operations

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Loss before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations				
Depreciation of non-current assets — Plant and equipment	(28,323)	(29,276)	(23,000)	(23,993)
Loss on sale of plant and equipment	(721)	(16,551)	(721)	(14,551)
Exploration expenditure written off	(461,904)	(2,193,690)	(461,904)	(2,193,690)
Provision against loan to subsidiary	—	—	(120,065)	(130,265)
Legal Fees	(32,385)	822,612	(32,385)	822,612
Loss on fair value adjustment to Held for Trading investments	(102,143)	—	(102,143)	—
Share based payments: Equity settled	—	323,644	—	323,644
Operating lease payments	120,162	107,910	120,162	107,910



5. Income Tax Expense

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
(a) The components of tax expense comprise:				
Current Tax	—	—	—	—
Deferred Tax	—	—	—	—
	—	—	—	—
(b) The prima facie tax from ordinary acivities				
Profit/(Loss) from Ordinary Activities	**(2,071,170)**	**(2,398,703)**	**(2,022,749)**	**(2,422,743)**
Income tax expense/(benefit) calculated at 30%	(621,351)	(719,611)	(606,825)	(726,823)
Add: Tax effect of non—deductible differences				
— Share based payments	—	97,093	—	97,093
— Other non-deductible differences	582	—	537	825
	(620,769)	(622,518)	(606,288)	(628,905)
Temporary differences not taken up as a benefit	(62,944)	(242,475)	(26,662)	(203,419)
Income tax losses not taken up as benefit	683,713	864,993	632,950	832,324
Tax Expense	**—**	**—**	**—**	**—**
Deffered Tax assets not brought to account as assets:				
— Tax Losses	9,157,929	8,474,216	6,737,004	6,104,054
— Temporary Differences	(98,387)	(35,444)	1,416,719	1,443,381
	9,059,542	**8,438,772**	**8,153,723**	**7,547,435**

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

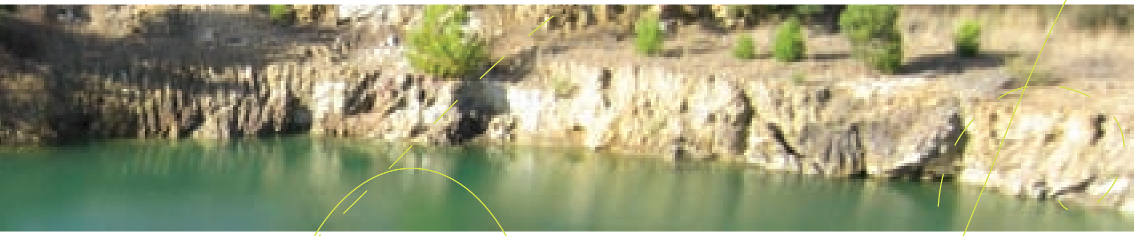
i) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realized.

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 deductions for the losses.

Correction of disclosure error relating to tax losses disclosed in previous financial year

During the previous financial year, tax losses carried forward was disclosed as $9,506,453 (Consolidated) and $6,068,422 (Parent). These losses have been recalculated and the error has been corrected by restating the disclosure in note 5 above for the previous year.



6. Key Management Personnel Compensation

a) The key management personnel of Strategic Energy Resources Limited during the year were:

Mr J Craib	Non-executive Chairman	Retired 28 November 2008
Mr J Roy	Non-executive Director	Resigned 1 December 2008
Mr J Salomon	Executive Director	Retired 28 November 2008
Ms L Bell	Executive Director Company Secretary Chief Financial Officer	Resigned 4 December 2008 Resigned 4 December 2008 Resigned 4 December 2008
Mr K McGrath	Non-executive Chairman	Appointed 4 December 2008
Mr M Muzzin	Non-executive Director	Appointed 4 December 2008
Mr G Lamont	Non-executive Director	Appointed 11 December 2008
Ms M Leydin	Non-executive Director Company Secretary	Appointed 4 December 2008 Resigned 11 December 2008 Appointed 4 December 2008
Mr I Barr	Manager Oil & Gas	

b) Compensation practices

Refer to Remuneration Report contained within the Directors' Report.

c) Key Management Personnel Compensation

The aggregate compensation of the Directors and senior management of the consolidated entity and the Company is set out below:

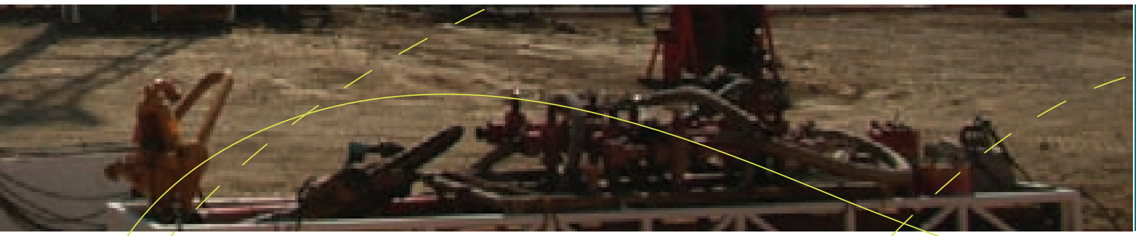
	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Short-term employment benefits	612,695	745,041	612,695	745,041
Post employment benefits	30,044	26,848	30,044	26,848
Other long-term benefits	—	—	—	—
Termination benefits	32,110	—	32,110	—
Share based payments	—	323,644	—	323,644
	674,849	**1,095,533**	**674,849**	**1,095,533**

Refer to Remuneration Report contained within the Directors' Report for details on remuneration per individual Director.

d) Option holdings by Key Management Personnel or their nominees

	Balance 1.7.2007	Granted as Compensation	Net Change Other	Notes	Balance 30.6.2008
Mr A Rechner	2,252,010	—	(2,252,010)	(1)	—
Mr J Craib	1,167,867	2,000,000	—		3,167,867
Mr J Roy	1,250,000	2,000,000	—		3,250,000
Ms L Bell	250,000	2,000,000	—		2,250,000
Mr J Salomon	—	9,000,000	—		9,000,000
Mr I Barr	—	4,000,000	—		4,000,000
	4,919,877	**19,000,000**	**(2,252,010)**		**21,667,867**

(1) Resigned 14 September 2007



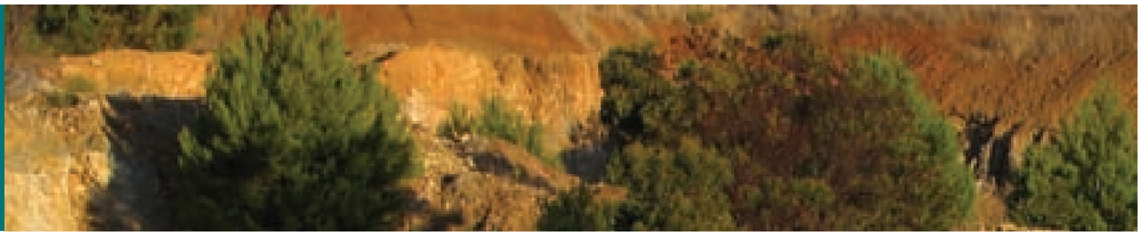
Option holdings by Key Management Personnel or their nominees (continued)

	Balance 1.7.2008	Granted as Compensation	Net Change Other	Notes	Balance 30.6.2009
Mr K McGrath	—	—	—		—
Mr M Muzzin	—	—	—		—
Mr G Lamont	—	—	—		—
Ms M Leydin	—	—	—		—
Mr J Craib	3,167,867	—	(3,167,867)	(1)	—
Mr J Roy	3,250,000	—	(3,250,000)	(1)	—
Ms L Bell	2,250,000	—	(2,250,000)	(1)	—
Mr J Salomon	9,000,000	—	(9,000,000)	(2)	—
Mr I Barr	4,000,000	—	(4,000,000)	(1)	—
	21,667,867	**—**	**(21,667,867)**		**—**

	Balance 1.7.2008	Granted as Compensation	Net Change Other	Notes	Balance 30.6.2009
Mr K McGrath	—	—	—		—
Mr M Muzzin	—	—	—		—
Mr G Lamont	—	—	—		—
Ms M Leydin	—	—	—		—
Mr J Craib	3,167,867	—	(3,167,867)	(1)	—
Mr J Roy	3,250,000	—	(3,250,000)	(1)	—
Ms L Bell	2,250,000	—	(2,250,000)	(1)	—
Mr J Salomon	9,000,000	—	(9,000,000)	(2)	—
Mr I Barr	4,000,000	—	(4,000,000)	(1)	—
	21,667,867	**—**	**(21,667,867)**		**—**

(1) Retired or resigned during the period

(2) Options cancelled on retirement at 28 November 2008



e) Shareholdings by Key Management Personnel or their nominees

	Balance 1.7.2007	Received as Compensation	Options Exercised	Net Change Other	Notes	Balance 30.6.2008
Mr A Rechner	30,823,131	—	—	(30,823,131)	(1)	—
Mr J Craib	1,342,934	—	—	—		1,342,934
Mr J Roy	2,250,000	—	—	1,000,000	(2)	3,250,000
Ms L Bell	19,500	—	—	—		19,500
Mr J Salomon	—	—	—	—		—
Mr I Barr	—	—	—	2,500,000	(2)	2,500,000
	34,435,565	**—**	**—**	**(27,323,131)**		**7,112,434**

(1) Resigned 14 September 2007

	Balance 1.7.2008	Received as Compensation	Options Exercised	Net Change Other	Notes	Balance 30.6.2009
Mr K McGrath	—	—	—	1,500,000	(1)	1,500,000
Mr M Muzzin	—	—	—	2,000,000	(1)	2,000,000
Mr G Lamont	—	—	—	—		—
Ms M Leydin	—	—	—	—		—
Mr J Craib	—	—	—	—		—
Mr J Roy	1,342,934	—	—	(1,342,934)	(2)	—
Ms L Bell	3,250,000	—	—	(3,250,000)	(2)	—
Mr J Salomon	19,500	—	—	(19,500)	(2)	—
Mr I Barr	2,500,000	—	—	(2,500,000)	(2)	—
	7,112,434	**—**	**—**	**(3,612,434)**		**3,500,000**

(1) Shares purchased in on market trades
(2) Retired or resigned during the period

7. Auditors Remuneration

	CONSOLIDATED 2009 $	2008 $	PARENT 2009 $	2009 $
Auditor of the Parent Entity — BDO Kendalls (2008 — Stantons International)				
Auditing or reviewing the financial report				
— Stantons International	17,664	26,604	17,664	26,604
— BDO Kendalls	25,560	—	25,560	—
Other				
— Stantons International	2,889	4,657	2,889	4,657
— BDO Kendalls	—	—	—	—
	46,113	**31,261**	**46,113**	**31,261**

8. Trade and Other Receivables

	CONSOLIDATED 2009 $	2008 $	PARENT 2009 $	2008 $
Current				
Trade receivables	—	225,595	—	225,595
Goods and services tax recoverable	11,968	58,424	11,705	56,632
Other receivables	11,703	9,853	11,703	9,853
	23,671	**293,872**	**23,408**	**292,080**

9. Other Current Assets

	CONSOLIDATED 2009 $	2008 $	PARENT 2009 $	2008 $
Prepayments	11,030	19,612	11,030	19,612
Bank guarantee — credit card facility	20,000	—	20,000	—
Bank guarantee — leased pemises	25,649	—	25,649	—
	56,679	**19,612**	**56,679**	**19,612**

10. Other Financial Assets

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Available for sale investments carried at fair value:				
Current				
Investments in listed entities	80,417	—	80,417	—
Reconciliation of other financial assets:				
Balance at beginning of the year (non-	163,888	—	163,888	—
Payments for investment in listed entity	10,672	—	10,672	—
Unrealised gain on available for sale	8,000	—	8,000	—
Fair value adjustments for investment in	(102,143)	—	(102,143)	—
Balance at end of the year	**80,417**	**—**	**80,417**	**—**
Non-Current				
Investment in listed entities	—	163,888	—	163,888
Investment in subsidiaries (Note 21)				
Strategic Nickel Pty Ltd — cost of investment	—	—	15	
Tarcoola Gold Limited — cost of investment	—	—	3,228,050	3,228,050
Provision for diminution of investment	—	—	(3,228,050)	(3,228,050)
	—	—	15	—
Loan to Tarcoola Gold Limited			1,730,903	1,610,838
Loan to Strategic Energy Graphite Pty Ltd	—	—	3,319,450	3,319,450
Provision for non-recovery of loans	—	—	(5,050,353)	(4,930,288)
	—	—	—	—
	—	**163,888**	**15**	**163,888**

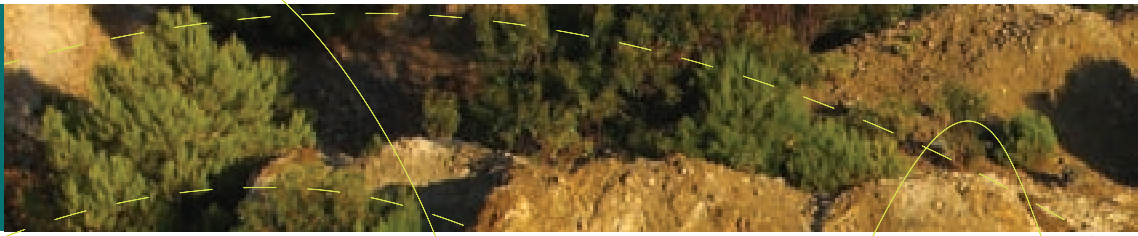
11. Plant and Equipment

	CONSOLIDATED		PARENT	
	2009 $	2009 $	2009 $	2008 $
Plant and equipment — at cost	229,415	256,881	114,236	136,564
Less: Accumulated depreciation	(170,210)	(180,847)	(77,494)	(88,316)
	59,205	**76,034**	**36,742**	**48,248**
Mine properties — at cost	3,567,448	3,567,448	—	—
Capital works	1,336,322	1,336,322	—	—
	4,903,770	4,903,770	—	—
Less: Provision for diminution	(4,903,770)	(4,903,770)	—	—
	—	—	—	—
Total property, plant and equipment	**59,205**	**76,034**	**36,742**	**48,248**

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Reconciliation of carrying value of plant and equipment				
Carrying amount at beginning of the year	76,034	153,294	48,248	121,665
Additions	20,215	10,584	20,215	7,144
Disposals	(8,721)	(53,551)	(8,721)	(51,551)
Joint venture assets	—	(5,017)	—	(5,017)
Depreciation expense	(28,323)	(29,276)	(23,000)	(23,993)
Carrying amount at end of the year	**59,205**	**76,034**	**36,742**	**48,248**

12. Other Non-Current Assets

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Bank guarantee — leased pemises	**—**	**25,649**	**—**	**25,649**



13. Trade and Other Payables

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Current				
Trade Payables (1)	54,200	518,700	54,200	517,886
Sundry payables and accrued expenses	15,896	237,257	15,896	235,750
	70,096	**755,957**	**70,096**	**753,636**

(1) The average credit period on purchases is 30 days. No interest is charged on the trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

14. Provisions

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
Current				
Mine rehabilitation — Uley Graphite Mine	—	58,000	—	58,000
	—	**58,000**	**—**	**58,000**

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Reconciliation of carrying value of provisions				
Carrying amount at beginning of the year	58,000	58,000	58,000	58,000
Write back of provision	(58,000)	—	(58,000)	—
Carrying amount at end of the year	**—**	**58,000**	**—**	**58,000**

The provision for mine rehabilitation represented the present value of the Director's best estimate for the costs to re-instate the Uley Graphite Mine back to its original state. The Directors have determined that the provision will not be needed.

15. Issued Capital

	2009		2008	
	No.	$	No.	$
Fully paid ordinary shares	**288,222,501**	**26,268,925**	**288,222,501**	**26,268,925**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to corporations law abolished the authorised capital and par value concept in relation to the Share Capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

a) **Fully paid ordinary shares**

	2009 No.	2009 $	2008 No.	2008 $
Balance at beginning of financial year	288,222,501	26,268,925	288,222,501	26,268,925
Issue of shares in public offer	—	—	—	—
Less: Costs of capital raising	—	—	—	—
Balance at end of financial year	**288,222,501**	**26,268,925**	**288,222,501**	**26,268,925**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

b) **Terms and Conditions of Issued Capital**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

c) **Options**

	2009 No.	2008 No.
Balance at beginning of the financial year	111,182,843	92,182,843
Granted during the financial year	—	19,000,000
Exercised during the financial year	—	—
Lapsed during the financial year	(88,932,843)	—
Cancelled during the financial year	(9,000,000)	—
Balance at end of the financial year	**13,250,000**	**111,182,843**

Options on issue at the end on the financial year are:

Expiry date	Exercise price $	No.
30 June 2010	0.15	3,250,000
12 December 2012	0.10	2,000,000
9 May 2013	0.05	8,000,000
		13,250,000

Directors Options

Options granted to Directors or their nominees are disclosed in the Remuneration Report.

16. Reserves

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Share-based payments reserve				
Balance at beginning of financial year	587,344	263,700	587,344	263,700
Options expired	(79,357)	—	(79,357)	
Options lapsed	(174,000)	—	(174,000)	
Share-based payments	—	323,644	—	323,644
Balance at end of financial year	**333,987**	**587,344**	**333,987**	**587,344**
Available for sale investment revaluation reserve				
Balance at beginning of financial year	1,800	22,300	1,800	22,300
Net unrealised gains	8,000	(20,500)	8,000	(20,500)
Balance at end of financial year	9,800	1,800	9,800	1,800
	343,787	**589,144**	**343,787**	**589,144**

17. Dividends

There have been no dividends paid or proposed in the 2009 or 2008 financial years.

18. Commitments for Expenditure

Operating Lease Commitments

The parent company has a lease on premises in Perth which expires in December 2009 and has not been renewed.

Expenditure commitments due under this agreement are summarised below.

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Not longer than 1 year	56,181	103,133	56,181	103,133
Longer than 1 year and not longer than 5 years	—	62,881	—	62,881
Longer than 5 years	—	—	—	—
	56,181	**166,014**	**56,181**	**166,014**

Exploration Commitments

In order to maintain current rights to tenure to exploration and mining tenements, the consolidated entity has the following discretionary 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 report and are payable:

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Not longer than 1 year	1,960,000	913,000	1,765,000	913,000
Longer than 1 year and not longer than 2 years	6,695,000	4,813,000	6,695,000	4,813,000
Longer than 2 years and not longer than 5 years	3,569,000	15,231,000	3,569,000	15,231,000
Longer than 5 years	8,450,000	—	8,450,000	—
	20,674,000	**20,957,000**	**20,479,000**	**20,957,000**

Within the oil and gas and minerals industries 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. During prior years the Company concluded a number of farm-out agreements which resulted in the Company only being responsible for a share of the work programs. The farm-in partners also expended funds on the permits during the year which resulted in work programs for certain years being met.

19. Segment Information

The Company operates predominantly in two industries, metals and minerals and oil and gas and one geographical segment. Exploration is undertaken in Western Australia, South Australia and Victoria.† The operations in Western Australia relate to the exploration for Nickel, whilst the activities in Victoria relate to the exploration for oil and gas as well as for Nickel.† The operations in South Australia relate to exploration for oil and gas as well as gold and care of a graphite mine.

Primary reporting format — business segments

	EXPLORATION FOR METALS AND MINERALS		EXPLORATION FOR OIL AND GAS		CONSOLIDATED	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Segment revenue						
Other revenue	381	—	119,372	616,802	119,753	616,802
Total segment revenue	381	—	119,372	616,802	119,753	616,802
Intersegment elimination					—	—
Consolidated revenue					**119,753**	**616,802**
Segment result						
Segment result	(191,487)	(170,043)	(1,879,683)	(2,228,660)	(2,071,170)	(2,398,703)
Intersegment elimination					—	—
Loss before income tax					(2,071,170)	(2,398,703)
Income tax expense					—	—
Loss for the year					**(2,071,170)**	**(2,398,703)**
Segment assets and liabilities						
Segment assets	25,540	76,284	1,560,445	4,316,732	1,585,985	4,393,016
Intersegment elimination					—	—
Total assets					**1,585,985**	**4,393,016**
Segment liabilities	3,802	60,321	66,294	753,636	70,096	813,957
Intersegment elimination					—	—
Total liabilities					**70,096**	**813,957**
Other segment information						
Acquisitions of property, plant	20,215	3,440	—	7,144	20,215	10,584
Depreciation expense	5,323	5,283	23,000	23,993	28,323	29,276

20. Related Party Disclosures

Key Management Personnel Compensation

Details of key management personnel compensation is disclosed in the Remuneration Report.

Transactions with Key Management Personnel

Mr I Barr is a Principal of Success Oil Company Limited which has provided technical consultancy services to the Company on normal terms and conditions. The amount paid for the financial year was $93,750. There was no amount outstanding at the end of the financial year.

Amounts paid to this Company during the financial year in respect of professional services rendered have been included in the remuneration report.

Wholly-owned Group Transactions

Strategic Energy Resources Limited provides working capital to all its wholly-owned subsidiaries aggregating $120,065 (2008: $130,265) which has been provided against during the financial year. Transactions between the parent entity and the wholly-owned subsidiaries consist of interest free unsecured loans which have no fixed repayment terms. The balances outstanding at the end of the financial year were:

Amounts owing:

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Strategic Energy Graphite Pty Ltd	—	—	1,730,903	1,610,838
Tarcoola Gold Limited	—	—	3,319,450	3,319,450
Provision for non-recovery	—	—	(5,050,353)	(4,930,288)
	—	—	—	—

Transactions with Director or Director related entities

Consultancy Services

Mr J A Salomon is a Principal of Southern Star Oil & Gas Consultants which has provided technical consultancy services to the Company on normal terms and conditions. The amount paid for the financial year was $164,004. There was no amount outstanding at the end of the financial year.

Mr K McGrath is a Principal of Delta Corporate Finance Pty Ltd which has provided consultancy services to the Company on normal terms and conditions. The amount paid for the financial year was $21,600. There was no amount outstanding at the end of the financial year.

Amounts paid to these Companies during the financial year in respect of professional services rendered have been included in the remuneration report.

Mr M Muzzin is a Director of Strategic Nickel Pty Ltd (formerly RMMI Australia Pty Ltd), which was acquired during the year

21. Investment in Controlled Entities

Details of investments in ordinary share capital of controlled entities is as follows:

Name of Entity	Place of Incorporation	EQUITY HOLDING 2009 %	EQUITY HOLDING 2008 %	COST OF PARENT ENTITY'S INVESTMENT 2008 $	COST OF PARENT ENTITY'S INVESTMENT 2009 $
Parent Entity					
Strategic Energy Resources Ltd	Australia	—	—	—	—
Controlled Entities					
Tarcoola Gold Limited	Australia	100	100	3,228,050	3,228,050
Strategic Energy Graphite Pty Ltd	Australia	100	100	—	—
Strategic Nickel Pty Ltd	Australia	100	—	15	—
				3,228,065	**3,228,050**

At a general meeting of each subsidiary, Strategic Energy Resources Limited has 100% of the voting power through the ordinary shares held.

22. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows in reconciled to the related items in the statement of financial position as follows:

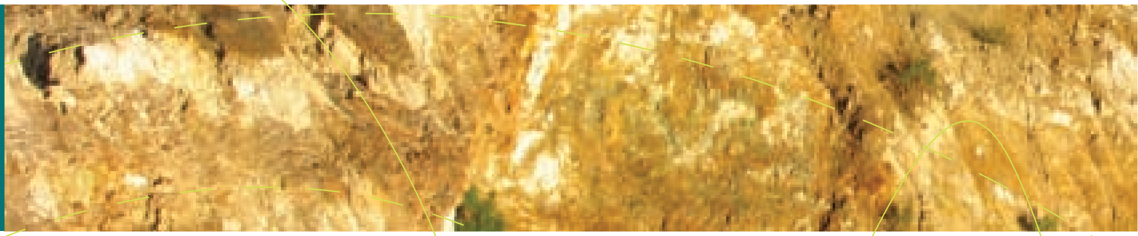
	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Cash and cash equivalents	**1,366,013**	**3,813,961**	**1,363,184**	**3,767,257**

(b) Financial Facilities

The Company has no financing facilities in place at 30 June 2009

(c) Reconciliation of Net Loss from ordinary activities after related income tax to net cash flows from operating activities

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
The Company has no financing facilities in place at 30 June 2009	(2,071,170)	(2,398,703)	(2,022,749)	(2,422,743)
Depreciation	28,323	29,276	23,000	23,993
Disposal of assets	721	16,551	721	14,551
Fair value adjustments on investments	102,143	(6,458)	102,143	(6,458)
Provision for legal fees	—	(750,000)		(750,000)
Exploartion expenditure	—	11,706		11,706
Share based payments	—	323,644		323,644
Provision for loans to subsidiaries	—	—	120,065	130,265
Provision for rehabilitation	(58,000)	—	(58,000)	—
Changes in net assets and liabilities:				
(Increase)/Decrease in assets:				
Trade and other receivables	278,783	(138,246)	257,243	(138,246)
Increase/(Decrease) in liabilities:				
Trade and other payables	(705,862)	165,015	(683,530)	167,176
Net cash used in operating activities	**(2,425,062)**	**(2,747,215)**	**(2,261,107)**	**(2,646,112)**



23. Acquisition of Businesses

During the year 100% of the entity, Strategic Nickel Pty Ltd was acquired. Details of the transaction are:

	CONSOLIDATED 2009 $	PARENT 2009 $
Purchase consideration	—	15
Consisting of:		
Cash	—	15
Net tangible assets acquired:		
Cash and cash equivalents	—	1
GST receivable	—	13
		14

The share capital of Strategic Nickel Pty Ltd (formerly RMMI Australia Pty Ltd) was acquired from RMMI Inc., USA on 31 March 2009. This company held 50% of the Falconbridge Joint Venture and Strategic Energy Resources Limited holds the other 50% of the Joint Venture. The Joint Venture holds various nickel exploration and prospecting licenses in Western Australia.

The company has not traded since acquisition and Strategic Energy Resources Limited has paid all costs relating to the company.

If the acquisition had occurred on 1 July 2008 the trading loss would have been $1,970,799.

The Directors have determined that the assets acquired are appropriately valued at fair value.

24. Financial Risk Management Objectives and Policies

The consolidated entity's principal financial instruments comprise cash and cash equivalents.

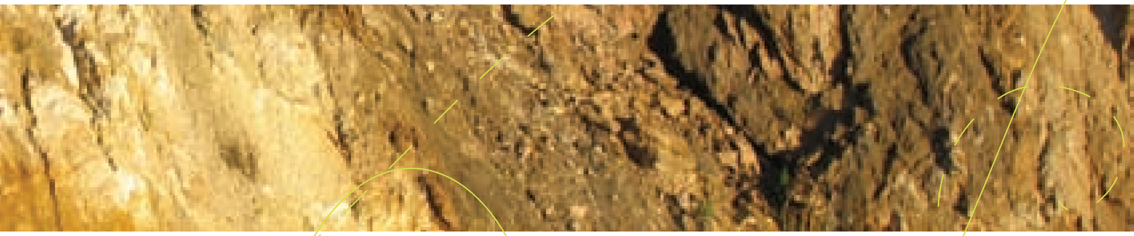
The main purpose of these financial instruments is to finance the consolidated entity's operations. The consolidated entity has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period, the consolidated entity's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the consolidated entity's financial instruments are cash flow interest rate risk. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

(a) Cash flow interest rate risk

The consolidated entity's exposure to the risks of changes in market interest rates relates primarily to the consolidated entity's short-term deposits with a floating interest rate. These financial assets with variable rates expose the consolidated entity to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The consolidated entity does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the parent entity and consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.



The consolidated entity has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

Consolidated Entity

	Note	Float Interest Rate		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity			
		2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	-40% 2009 $	-10% 2008 $	+40% 2009 $	+10% 2008 $
Financial Assets											
Cash at bank (Loans and receivables)	22(a)	1,366,013	3,813,961	—	—	1,366,013	3,813,961	(23,168)	(25,630)	23,168	25,630
Trade & Other Receivables (Loans and receivables)	8 & 9	—	—	69,320	319,521	69,320	319,521	—	—	—	—
Financial Assets — available for sale	10			50,000	42,000	50,000	42,000				
Financial Assets — fair value through profit and loss	10	—	—	30,417	121,888	30,417	121,888				
Total		**1,366,013**	**3,813,961**	**149,737**	**483,409**	**1,515,750**	**4,297,370**	**(23,168)**	**(25,630)**	**23,168**	**25,630**
Weighted average interest rate		4.24%	6.72%								
Financial Liabilities											
Trade and other payables (Amortised cost)	13	—	—	70,096	755,957	70,096	755,957	—	—	—	—
Total		**—**	**—**	**70,096**	**755,957**	**70,096**	**755,957**	**—**	**—**	**—**	**—**
Weighted average interest rate		—	—								
Net Financial assets (liabilities)		**1,366,013**	**3,813,961**	**79,641**	**(272,548)**	**1,445,654**	**3,541,413**	**(23,168)**	**(25,630)**	**23,168**	**25,630**

Notes to and Forming Part of the Financial Statements

Parent Entity

	Note	Float Interest Rate		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity			
		2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	-40% 2009 $	-10% 2008 $	+40% 2009 $	+10% 2008 $
Financial Assets											
Cash at bank (Loans and receivables)	22(a)	1,363,184	3,76,257	—	—	1,363,184	3,767,257	(23,120)	(25,316)	23,120	25,316
Trade & Other Receivables (Loans and receivables)	8 & 9	—	—	69,058	317,729	69,058	317,729	—	—	—	—
Financial Assets — available for sale	10			50,000	42,000	50,000	42,000				
Financial Assets — fair value through profit and loss	10	—	—	30,417	121,888	30,417	121,888				
Investment in subsidiaries		—	—	15	—	15	—	—	—	—	—
Loans to Subsidiaries		—	—	—	—	—	—	—	—	—	—
Total		**1,363,184**	**3,767,257**	**149,490**	**481,617**	**1,512,674**	**4,248,874**	**(23,120)**	**(25,316)**	**23,120**	**25,316**
Weighted average interest rate		4.24%	6.72%								
Financial Liabilities											
Trade and other payables (Amortised cost)	13	—	—	70,096	753,636	70,096	753,636	—	—	—	—
Total		**—**	**—**	**70,096**	**753,636**	**70,096**	**753,636**	**—**	**—**	**—**	**—**
Weighted average interest rate		—	—								
Net Financial assets (liabilities)		**1,363,184**	**3,767,257**	**79,394**	**(272,019)**	**1,442,578**	**3,495,238**	**(23,120)**	**(25,316)**	**23,120**	**25,316**

A sensitivity of 40% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 40% sensitivity would move short term interest rates at 30 June 2009 from 4.24% to 5.94% representing a 170 basis points shift. This would represent two to three increases which is reasonably possible in the current environment with the bias coming from the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

(b) Liquidity risk

The consolidated entity manages liquidity risk by maintaining sufficient cash reserves and through the continuous monitoring of budgeted and actual cash flows.

Financial Assets

The following tables detail the Company's and the Groups expected maturity for its non-derivative financial assets.

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Contracted maturities of receivables and cash and cash equivalents				
— less than 6 months	1,446,363	4,127,445	1,443,271	4,078,949
— 6 to 12 months	—	—		—
— 1 to 5 years	—	163,888	—	163,888
— later than 5 years	—	—		—
Total	**1,446,363**	**4,291,333**	**1,443,271**	**4,242,837**

Financial Liabilities

The following tables the Company's and the Groups remaining contractual maturity for its non-derivative financial liabilities.

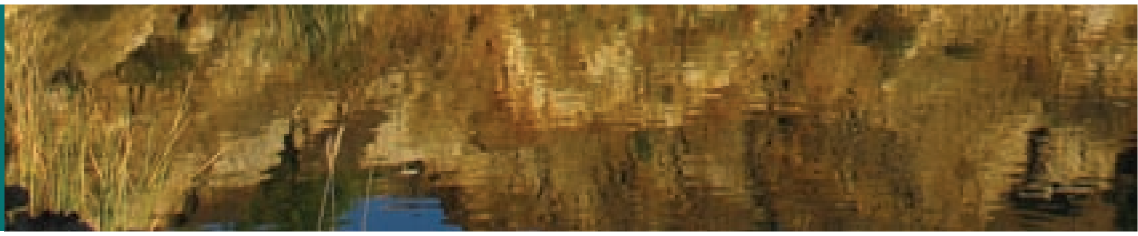
	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Contracted maturities of payables year ended 30 June 2009:				
Payable:				
— less than 6 months	70,096	755,957	70,096	755,957
— 6 to 12 months	—	—		—
— 1 to 5 years	—	—	—	—
— later than 5 years	—	—		—
Total	**70,096**	**755,957**	**70,096**	**755,957**

(c) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity's foreign transactions are immaterial and it is not exposed to foreign currency risk.

(d) Net Fair Values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The consolidated entity has no financial assets where carrying amount exceeds net fair values at balance date.



The consolidated entity's receivables at balance date are detailed in Note 8 and comprise primarily GST input tax credits refundable by the ATO. The balance of receivables comprises amounts receivable from related parties and prepayments.

The credit risk on financial assets of the economic entity which have been recognised on the Balance Sheet is generally the carrying amount.

(e) Capital Risk Management

When managing capital, management's objectives is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholder, issue new shares, enter into joint ventures or sell shares.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2009 and no dividends are expected to be paid in 2010.

There is no current intention to incur debt funding on behalf of the Company as on-going petroleum 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.

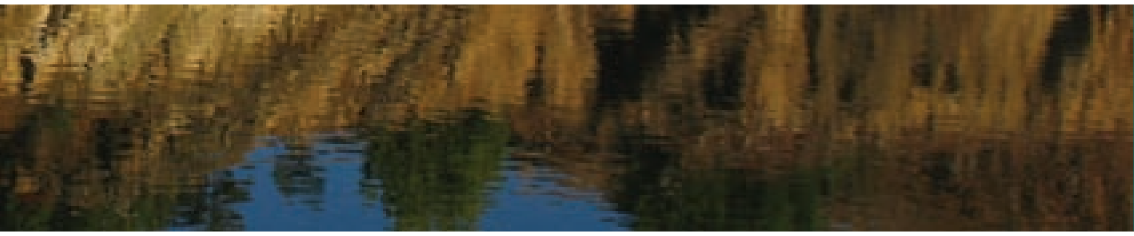
Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a quarterly basis.

(e) Price risk

The Company is exposed to equity securities price risk. This arises from investments held and classified on the balance sheet at fair value through profit and loss. The following table sets out the carrying amount of the Company's exposure to equity securities price risk on fair value through profit and loss investments. Also included is the effect on profit and equity before tax if these prices at that date had been 50% higher or lower with all other variables held constant as a sensitivity analysis.

A sensitivity of 50% has been selected as this is considered reasonable given the current and recent trending and volatilities of both Australian and International stock markets and the trading history of the investment held by the Company.

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008
Listed Securities — Equities	**80,417**	**163,888**	**80,417**	**163,888**
Market Price +50%				
— Profit/(Loss)	40,209	81,944	40,209	81,944
— Equity	40,209	81,944	40,209	81,944
Market Price -50%				
— Profit/(Loss)	(40,209)	(81,944)	(40,209)	(81,944)
— Equity	(40,209)	(81,944)	(40,209)	(81,944)



(f) Credit Risk exposures

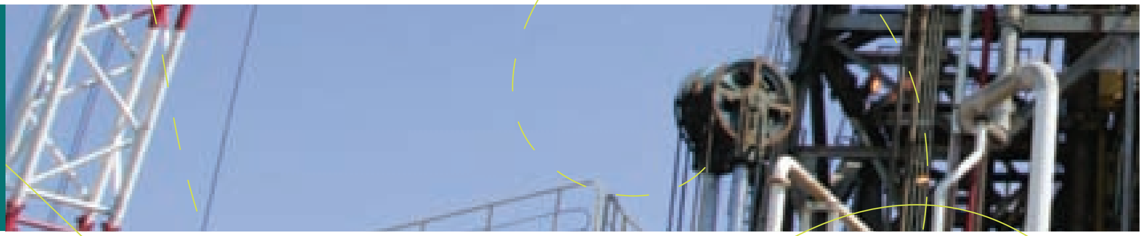
The economic entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity's maximum exposure to credit risk.

The Company's maximum exposure to credit risk at the reporting date was as detailed below:

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Financial Assets				
Cash and cash equivalents	1,366,013	3,813,961	1,363,184	3,767,257
Trade and other receivables	23,671	293,872	23,409	292,080
Other financial assets	80,417	163,888	80,432	163,888
Security deposits	45,649	25,649	45,649	25,649
Total financial assets	**1,515,750**	**4,297,370**	**1,512,674**	**4,248,874**

As the Consolidated Entity and Company has a low level of debtors and no other credit risk, a formal credit risk management policy is not maintained.

Notes to and Forming Part of the Financial Statements



25. Earnings per Share

	2009 Cents Per Share	2008 Cents Per Share
Basic earnings (loss) per share	**(0.72)**	**(0.83)**
Diluted earnings (loss) per share	**(0.72)**	**(0.83)**
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
Earnings (i)	**(2,071,170)**	**(2,398,703)**
	2009 No	**2008 No**
Weighted average number of ordinary shares used in the calculation of basic EPS	**288,222,501**	**288,222,501**
Weighted average number of ordinary shares used in the calculation of diluted EPS	**288,222,501**	**288,222,501**
(i) Earnings are the same as profit after tax in the income statement.		
(ii) In addition, the following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of shares, used in the calculation of diluted earnings per share. (Note 15(c))		
	17,437,671	**177,039,658**

Diluted Earnings Per Share

The rights of 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 rights of options are non-dilutive as the exercise price was significantly higher than the Company’s share price as at 30 June 2009.

26. Events After the Balance Sheet Date

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years, other than:

- Subsequent to balance date, a claim has been recently filed in the Warden’s Court in W.A. by a minority partner in respect of Falconbridge, which the Directors believe will be dismissed.
- Subsequent to balance date, the original vendor of Falconbridge has become entitled to a 5% free carried interest to bankable feasibility and to all gold rights.
- Subsequent to balance date, the Company has sold it’s shareholding in Australian Oil Company Limited. The gross proceeds on sale were $38,500.00, giving a net loss after brokerage of $12,085.00.

27. Share Based Payments

There were no share based payments made in the current financial year.

The following share based payments were made during the previous financial year:

- 2,000,000 options expiring 12 December 2012 exercisable at 10 cents.
- 11,000,000 options expiring 9 May 2013 exercisable at 5 cents
- 3,000,000 options expiring 9 May 2014 exercisable at 7.5 cents.
- 3,000,000 options expiring 9 May 2015 exercisable at 10 cents.

The expense recognised in the income statement in relation to share-based payments is disclosed in note 4. Option pricing models used are the Black-Scholes and Binomial. Share price volatility was determined at grant date by assessing movements in the share price.

The following share-based payments arrangements were in existence during the current and comparative reporting periods:

Options Series	Number	Grant date	Expiry date	Note	Exercise Price $	Fair value at Grant date $
EBROA	88,932,843	01/01/2008	30/06/2009	(1)	0.150	0.02880
EBROB	2,000,000	12/12/2007	12/12/2012		0.100	0.06053
EBROC	8,000,000	09/05/2008	09/05/2013		0.050	0.02205
EBROD1	3,000,000	09/05/2008	09/05/2013	(2)	0.050	0.02205
EBROD2	3,000,000	09/05/2008	09/05/2014	(2)	0.075	0.02050
EBROD3	3,000,000	09/05/2008	09/05/2015	(2)	0.100	0.02085
EBRODE	3,250,000	01/01/2008	30/06/2010		0.150	0.02760

(1) Expired at 30/06/09
(2) Cancelled at 28 November 2008

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 3 years (2008: 3 years).

The weighted average exercise price for options outstanding at the end of the year was $0.082 (2008: $0.079).

The weighted average fair value of options granted during the year was nil cents (2008: 0.023 cents).

The following table lists the inputs to the model used for the year ended 30 June 2009:

	EBROB	EBROC	EBROD1	EBROD2	EBROD3	EBRODE
Dividend yield (%)	0	0	0	0	0	0
Expected volatility (%)	150	150	150	150	150	75
Risk-free interest rate (%)	6.5	6.5	6.5	6.5	6.5	5.255
Expected life of options (years)	5	5	5	6	7	4.25
Option exercise price ($)	0.10	0.05	0.05	0.075	0.10	0.15
Weighted average share price at grant date ($)	0.09	0.03	0.03	0.03	0.03	0.03
Option pricing model	Black-Scholes	Binomial	Binomial	Binomial	Binomial	Black-Scholes

Shareholder Information

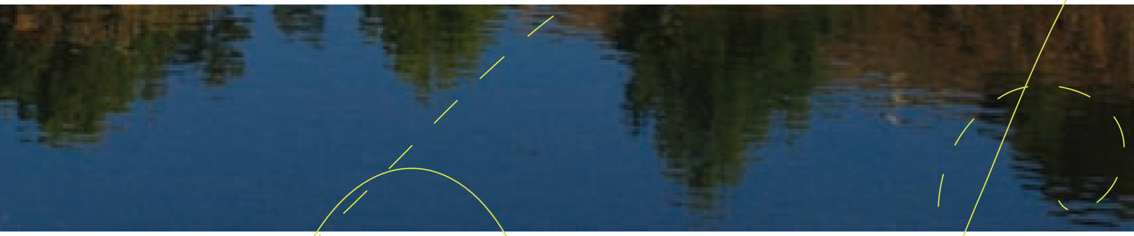
The shareholder information set out below was applicable as at 16 September 2009.

1. Distribution of Shareholders

a) Analysis of number of shareholders by size of holding.

Category of holding	Holders	Number of Shares	% of Capital
1 – 1,000	1,022	217,491	0.08%
1,001 – 5,000	466	1,346,794	0.47%
5,001 – 10,000	427	3,452,805	1.20%
10,001 – 100,000	1,310	51,915,660	18.01%
100,001 and over	413	231,289,751	80.25%
Total	**3,638**	**288,222,501**	**100.00%**

b) There are 2,237 shareholders with less than a marketable parcel of ordinary shares.



2. Twenty Largest Shareholders

The names of the twenty largest holders by account holding of ordinary shares are listed below:

Shareholder	Holding	%
E E R C Australasia Pty Ltd <Suoer Fund A/C>	31,000,000	10.76%
ANZ Nominees Limited <Cash Income A/C>	5,820,763	2.02%
HSBC Custody Nominees (Australia) Limited	5,603,522	1.94%
Reef Securities Limited	5,268,879	1.83%
Mr A H Hasslinger	4,000,000	1.39%
Success Oil Company Limited	3,500,000	1.21%
Seawell Super Pty Ltd <Seawell S/F A/C>	3,250,000	1.13%
A J Forsyth	3,213,334	1.11%
Custom AV Pty Ltd	3,066,803	1.06%
Jestar Pty Limited <Vagg Family Super Fund A/C>	3,021,333	1.05%
Mr R G Luke & Mrs F L Luke <The Luke Super Fund A/C>	2,805,000	0.97%
Tarmel Pty Limited	2,763,074	0.96%
Mr T A Wilson & Mrs J L Wilson	2,500,000	0.87%
Illawong Investments Pty Ltd <The cooks S/Fund No 1 A/C>	2,500,000	0.87%
Tradcorp Pty Ltd	2,200,000	0.76%
Mr J A Hellier & Mrs D M Hellier	2,027,500	0.70%
Mr M A Muzzin	2,000,000	0.69%
Tre Pty Ltd	2,000,000	0.69%
Ambergate Nominees Pty Ltd	2,000,000	0.69%
Enviro Manufacturing Pty Ltd	2,000,000	0.69%
TOTAL	**90,540,208**	**31.41%**

3. Restricted Securities

As at 16 September 2009, the Company had no securities subject to escrow arrangement.

4. Substantial Shareholders

As at 16 September 2009, the substantial shareholders were as follows:

Name of Shareholder	No of Shares	% of Issued Capital
E E R C Australasia Pty Ltd <Suoer Fund A/C>	31,000,000	10.76%

5. Voting Rights

At a general meeting of shareholders:

On a show of hands, each person who is a member or sole proxy has one vote.

On a poll, each shareholder is entitled to one vote for each fully paid share.

Corporate Governance Statement

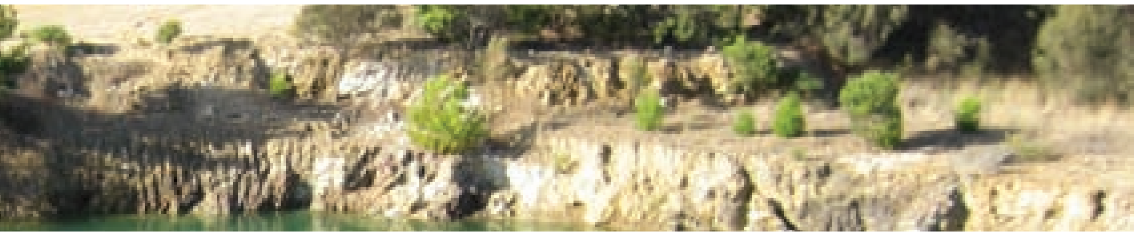
The Directors of Strategic Energy Resources Limited believe firmly that benefits will flow from the maintenance of the highest possible standards of corporate governance. A description of the Company's main corporate governance practices is set out below.

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	The Board has adopted a formal charter setting out the responsibilities of the Board. This charter can be accessed at *www.strategicenergy.com.au* Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.	Not applicable
1.2	Disclose the process for evaluating the performance of senior executives.	The Board meets annually to review the performance of executives. The senior executives' performance is assessed against the performance of the Company as a whole.	Not applicable
1.3	Provide the information indicated in the Guide to reporting on Principal 1.	A performance evaluation has been completed during the reporting period in accordance with the process detailed in 1.2 above.	Not applicable
2.1	A majority of the Board should be independent of Directors.	A definition of Director independence can be accessed at *www.strategenergy.com.au* Currently Strategic Energy Resources Limited has two independent Directors and one non independent Director.	Not applicable
2.2	The chair should be an independent Director.	The Chairman, Mr Kim McGrath, is independent.	Not applicable
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The role of Managing Director is held by Mr Mark Muzzin and the role of Chairman is held by our independent Director Mr Kim McGrath.	Not applicable
2.4	The Board should establish a nomination committee.	The Board does not have a nomination committee.	It is not a Company policy to have a nomination committee, given the size and scale of Strategic Energy Resources Limited. The role of a nomination committee is carried out by the full Board. The full Board considers the appointment of new Directors, on an informal basis. The Board's policy for the appointment of new Directors to the Board can be accessed at *www.strategicenergy.com.au*

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
2.5	Disclose the process for evaluating the performance of the Board, its committee and individual Directors.	The performance evaluation of Board members occurs by way of an informal review by the full Board (in the absence of the relevant Board member)	Not applicable.
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	The skills, experience and expertise relevant to the position held by each Director is disclosed in the Directors' Report which forms part of the Annual Report. The name of the Independent Directors are disclosed above. The Directors are entitled to take independent professional advice at the expense of the Company. The period of office held by each Director is disclosed in the Directors' Report which forms part of this Annual Report.	Not applicable
3.1	Establish a code of conduct and disclose the code for a summary of the code as to: the practice necessary to maintain confidence in the Company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company has adopted a Board Code of Conduct and a Company Code of Conduct, both of which can be accessed at *www.strategicenergy.com.au*	Not applicable
3.2	Establish a policy concerning trading in Company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	The Company has adopted a Trading Policy which can be accessed at *www.strategicenergy.com.au*	Not applicable.
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	The information has been disclosed in the Annual Report.	Not applicable.
4.1	The Board should establish an audit committee.	The Company has an established an Audit Committee.	Not applicable.
4.2	The audit committee should be structured so that it: • consists only of non-executive Directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not chair of the Board; • has at lease three members	The Audit Committee has two members, consisting of the independent Directors, Glenister Lamont and Mr Kim McGrath. The Audit Committee is chaired by Mr Glenister Lamont.	The Audit Committee only has two members as these are the only non-executive Directors out of a Board of three.

Corporate Governance Statement

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
4.3	The audit committee should have a formal charter.	The formal charter can be accessed at *www.strategicenergy.com.au*	Not applicable.
4.4	Provide the information in the Guide to reporting on Principle 4.	The names of the members of the Audit Committee are disclosed above. The qualifications of the members of the Audit Committee are disclosed in the Directors' Report which forms part of this Annual Report. The audit committee will meet twice in each year, before sign off of the annual and half year financial statements. The external auditor, BDO Kendalls, has a rotation policy such that lead partners are rotated every 5 years and review partners are rotated every 5 years.	Not applicable.
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a Disclosure Policy which can be accessed at *www.strategicenergy.com.au*	Not applicable.
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The information has been disclosed in the Annual Report.	Not applicable.
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy	The Company has adopted a Shareholder Communications Policy which can be accessed at *www.strategicenergy.com.au*	Not applicable.
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information has been disclosed in the Annual Report	Not applicable.
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	The Company has adopted Risk Management Policy which can be accessed at *www.strategicenergy.com.au* This policy outlines the material risks face by the Company as identified by the Board. Given the size and scale of Strategic Energy Resources Limited it does not have a Risk sub-committee or Internal Audit function.	Not applicable.



Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Board believes the risk management and internal control systems designed and implemented by the Directors and the Financial Officer are adequate given the size and nature of the Company's activities. The Board informally reviews and requests management to report on risk management and internal control.	Management has not formally reported to the Board as to the effectiveness of the Company's management of its material business risks. Given the nature and size of the Company and the Board's ultimate responsibility to manage the risks of the Company this is not considered critical. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial office (or equivalent) that the declaration provided in accordance with section 295A is the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board receives assurance from Mr Mark Muzzin and the chief financial officer in the form of a declaration, prior to approving financial statement.	Not applicable.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information has been disclosed in the Annual Report.	Not applicable.
8.1	The Board should establish a remuneration committee.	The Company does not have an established remuneration committee.	It is not a Company policy to have a remuneration committee, given the size and scale of Strategic Energy Resources Limited. The role of a remuneration committee is carried out by the full Board.
8.2	Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.	The structure of non-executive Directors' remuneration is clearly distinguished from that of executive Directors and senior executives, as described in the Directors' Report which forms part of this Annual Report.	Not applicable.
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	The information has been disclosed in the Annual Report.	Not applicable.