Strategic Energy Resources Limited

ABN 14 051 212 429

Annual Report - 30 June 2014

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Strategic Energy Resources Limited
Corporate directory
30 June 2014

Directors	Glenister Lamont (Non-Executive Chairman) Anthony Rechner (Technical Director) Peter Armitage (Non-Executive Director)
Company secretary	Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne, VIC 3205 Ph: (03) 9692 7222 Fax: (03) 9077 9233
Principal place of business	Level 4, 100 Albert Road South Melbourne, VIC 3205 Ph: (03) 9692 7222 Fax: (03) 9077 9233
Share register	Link Market Services Limited Level 1, 333 Collins Street Melbourne, VIC 3000 Ph: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd The Rialto, 525 Collins Street MELBOURNE VIC 3000
Stock exchange listing	Strategic Energy Resources Limited shares are listed on the Australian Securities Exchange (ASX code: SER)
Website	www.strategicenergy.com.au

Dear Shareholders,

The year saw a number of notable achievements for the company. Key among these was the successful fundraising and subsequent listing of Valence Industries Ltd, which owns the Uley Graphite Project. Our holding in Valence represents substantial value for SER shareholders in its own right, as well offering the prospect for SER of a continuing royalty stream based on sales after the mine re-enters production. Uley was a long-standing asset of the company and it is pleasing finally to see progress towards development.

During the year, our three-year-old association with Monash University in the area of graphene research progressed with a number of scientific milestones reached. SER is in the process of strengthening our arrangements with Monash to ensure we have a solid path to commercialisation of the intellectual property that has been developed. As investors seek exposure to both the expanding market for graphite and technology for the use of graphene, SER is well placed to offer investors such exposure and we see some of that appeal in the recent rise in our share price.

Early in the financial year, we undertook drilling at our Spencer joint venture, which appeared to offer many enticing geophysical targets. While we did encounter some mineralisation, it was not of the tenor to support the further targeting of those structures. We are reviewing our geological model of the area to see if an alternative approach might be successful. Adjacent to our Myall Creek property, the South Australian Government is undertaking a major geological study and we will await the results of that to see how we might progress Myall Creek.

During the year we exited all our remaining oil interests, this included the final payment for our onshore South Australian block as well payments for our offshore Victorian interests. The deal on the Victorian assets gives us some potential upside to the assets, but removes a significant liability for the company.

We are now well funded and have several assets with upside potential, through which we will try to realise value for shareholders. While still well funded, we have taken the prudent step of reducing overheads until we can find projects that justify higher activity levels. I wish to thank management and my fellow board members for their assistance during the year.

We thank shareholders for their interest and anticipate there will be progress on a number of fronts in the coming year.

Glenister Lamont
Chairman

GRAPHENE RESEARCH WITH MONASH UNIVERSITY

SER has been involved with graphene research and Monash since 2010 and received the first Australian Research Council Linkage grant for graphene in Australia in 2012. This grant related to the potential use of graphite in super capacitors. Up until SER's most recent grant, it remained the only ARC grant for graphene research in Australia.

Based on this grant and additional work, Monash University researchers have been developing novel composites of graphene that provides massive surface areas of ~1200 m2/gm and high electrical conductivity suitable for energy storage applications. During the year, different compositions were synthesized and their energy storage capacities evaluated.

A further joint application between SER and Monash for an ARC Linkage (Australian Research Council) grant has been successful. The proposed research is titled - Green Manufacturing of Graphene from Indigenous Natural Graphite and Graphene-based Nanofiltration Membranes. Dr Mainak Majumder, head of the research team at Monash, said "This is another feather in the cap for the teams at Monash and SER. ARC Linkage is a prestigious grant system and we are pleased our proposal was approved after rigorous peer-review. We have been the only recipients of the grant for our research using graphene, the first awarded three ago for our research on super capacitors."

There are many potential uses for our graphene membrane technology, including purification of salt water, mine waste water and extraction of heavy metals to name just a few. Dr Majumder noted "the graphene membrane technology we are currently investigating could also be used for generating energy from osmotic gradients or scavenging waste heat to run electric motors without batteries. Recent experiments in China and the US have shown the potential of such application ".

The key points on our collaboration with Monash:

We signed a ground breaking heads of agreement with Monash University on graphene research and commercialisation.

Highlights:

- SER will have a first right to fund any related research
- A Licence is in the last stages of finalisation between SER and Monash University in relation to intellectual property (IP) generated from the project titled "Nanotechnology enabled electrochemical energy storage materials from indigenous natural graphite" that was the subject of the 2011 Australian Research Council (ARC) Linkage Agreement (ref LP110100612)
- The world-wide rights to commercialisation are with SER

Potential revenues from graphene will derive from our world-wide licencing agreements with Monash. There are two potential sources of income:

1. SER can commercialise the IP or
2. SER can sublicense the IP to others

Potential users could be medical, military and silicon valley. Further SER could sell the technology.

More detailed developments are to be announced regarding our Monash collaboration including the execution of a definitive Licencing Agreement on our graphene based super capacitors.

Also a joint SER/Monash funded bench scale graphene facility has been agreed to be built. This development will help us produce larger quantities of graphene for our research projects and possible sales to graphene customers.

Compared to other companies reporting in this sector, the market has yet to fully understand the true value of the advanced stage of our graphene research.

ULEY GRAPHITE – Valence SHAREHOLDING

The company is now well placed to receive substantial financial benefit from the demerger of the Uley Graphite project, with a successful capital raising and listing of Valence Industries in January 2014. SER is the major shareholder with 21,788,907 shares (12.94%), escrowed till January 2016. Valence repaid inter-company loans totalling $351,781 from an initial seek capital raising.

SER will also benefit from a 1.5% royalty from any graphite sales of Uley graphite by Valence Industries. Valence has announced graphite is processed and ready for sale.

SPENCER JOINT VENTURE (SER 75%) EL 5010
SOUTH AUSTRALIA

Strategic Energy Resources Limited as Operator of the 'Spencer Joint Venture" (SER 75% and Kingston Resources Ltd (ASX: KSN) 25%) completed a first round drilling campaign in late 2013.

The exploration program commenced in August 2013 and a total of ten holes were drilled, 6 reverse circulation (RC) holes were completed with a further 4 RC pre collars completed for 3,608m of drilling. These four RC holes were designated to have diamond tails of which three diamond tails were drilled for a total of 1,113.9m, totalling 4,721.9m for the drill program. A decision was made to bring a diamond rig in to complete the bottom sections of the holes, as a result of ground conditions and to increase geological understanding of the geophysical targets. The core produced from the diamond drilling has been useful as visual mineralisation is evident.

All of the holes where diamond tails were drilled have been collared into the outcropping Hiltaba Granite Suite. Holes SPRCD001 and SPRCD004 (which was drilled to 865.2m with a planned depth of 1,200m) remained within the Hiltaba Granite Suite from the initial intersection to the end of the hole. The majority of SPRCD002 remained within the Hiltaba Granite apart from an approximately 90m intersection of an intrusive basaltic unit. In all three holes throughout the granite, intersections of brecciation and alteration were seen to be pervasive and of varying intensities. It is in these brecciated and altered zones where visual mineralization has been encountered. Analysis of these zones is hoped to provide further information regarding the potential of the mineralization zones.

The six holes in the northern part of the tenement failed to encounter the Hiltaba Granite Suite. Although the geophysical targets were intersected in the majority of the holes further investigation and understanding of the geology should provide answers as to the true nature of the geophysical anomalies which provided the original targets.

The Spencer area comprises 321 km² and is located on the west coast of Spencer's Gulf. It had remained one of the few undrilled areas along the Olympic Dam trend where modern exploration techniques including gravity, magnetics, HeliTEM, geological mapping and geochemistry had not been followed up. This same trend is the home to some exceptional discoveries including Olympic Dam, Carrapateena, Prominent Hill, Mount Gunson, Wallaroo, Moonta and Hillside.

A geophysical review by consultants of the Kijani Trend was completed in the June quarter. This review in conjunction with geology and geochemistry has enhanced the understanding of the geological setting of the Kijani Trend. The review has shown the need to better understand the special relationship between the Hiltaba Granite and the outcropping Moonarbi Formation to the south and the drill intersected Backy Point Formation to the north. The prospectivity still remains high in the area interpreted to represent Hiltaba granite (where there is only airborne gravity coverage) but due to access issues, accessing potential targets maybe difficult.

MYALL CREEK (SER 50%) EL 5011
SOUTH AUSTRALIA

The Myall Creek Copper Project (EL5011) covers an area of 381 km² and is located on the southern Stuart Shelf between Whyalla and Port Augusta, a highly prospective part of the eastern margin of the Gawler Craton. The Myall Creek Project includes a 15 kilometre zone with anomalous copper shown in historic drilling.

Previous work indicates that some mineralization is controlled by a lithological/chemical redox contrast which exists between the base of the Tapley Hill formation and an underlying unconformable contact between the two sedimentary units. This unconformity continues to have a strong potential for high grade prospects.

The licence area is immediately west of the Torrens Hinge Zone.

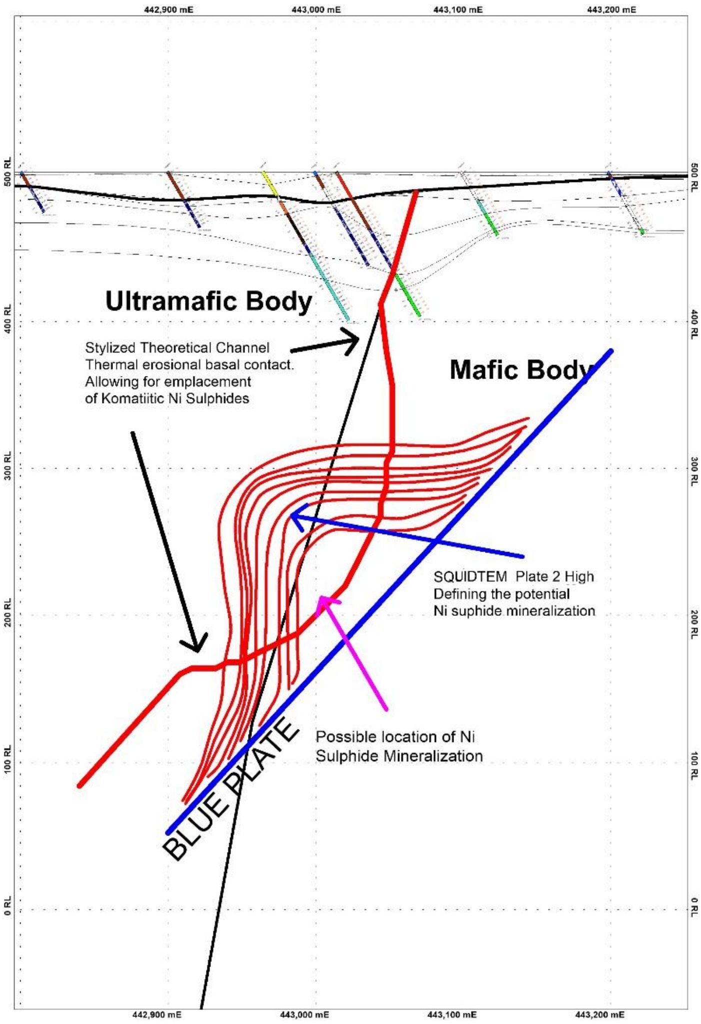
Strategic Energy Resources Limited
Review of operations
30 June 2014

Technical assessment of the prospectively of the Myall Creek project for both Zambian style copper mineralization and the potential of Olympic Dam style IOCG mineralization at depth is ongoing.

With the recent target development to the north of Myall Creek by the Department of State Development for the Deep Targets Task Force, SER is awaiting the findings from this work and will be looking to gauge the impact the work has on regional exploration and targeting and specifically the Myall Creek project.

FALCON BRIDGE (SER 95%) E38/1970
WESTERN AUSTRALIA

The Falcon Bridge tenement EL 38/1970 covers an area of 138 km² in the north eastern corner of Western Australia's Archaean Yilgarn Craton. During the quarter the Falconbridge nickel sulphide project underwent a significant review from geological, geochemical and geophysical perspective. The review has concluded that drilling has not tested the late time TEM (explain) anomaly defined and interpreted by geophysics. The lower order magnitude of the anomaly does not preclude the Falcon Bridge anomaly from potentially containing a discrete nickel sulphide body. SER are currently reviewing the possibility of joint venture opportunities with regards to testing this anomaly.



CASTERON (SER 5%) EL 5040 VICTORIA

SER sold a 95% interest in the exploration licence in October 2009 for a 5% free carried interest for the first 5 years of the permit or the first $600,000 of expenditure on the work program, whichever occurs first.

Encounter Minerals has completed a 5 hole drilling program. SER has been advised that the results have been encouraging, however to date, the company has not received assay results. EL 5040 is located some 350 kilometres west of Melbourne, Victoria.

CORPORATE

During the previous year the company implemented a process to sell, on market at no cost to the owners, holdings of less than 12,500 ordinary fully paid shares ('small holdings') on behalf of shareholders who do not wish to retain their shares in the Company and this process was completed during the current year. The company had a large percentage of shareholders holding less than marketable parcels. By divesting small holdings, the Company has considerably reduced its administrative and share registry costs. The number of shareholders was reduced by approximately 50%, with no impact on the share price. The funds have been distributed to holders.

During financial year 2013, the company's 5% interest in the block was sold for $5 million to Senex Energy Limited's subsidiary and party to the PEL182 JVOA (Joint Venture Operating Agreement) Victoria Oil Exploration (1977) Pty Ltd and Acer Energy Limited. The registration and transfers of ownership was completed during the 2014 financial year and final payment received.

During the year SER sold its interests in Vic/P41 and Vic/P47 to Oil Basins Ltd for a total of 13 million shares in OBL. The sales have relieved the company of substantial financial liability, and has opened the possibility of potential upside from any transaction or progress within the permits.

Strategic Energy Resources Limited
Directors' report
30 June 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Strategic Energy Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors
The following persons were directors of Strategic Energy Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Glenister Lamont
Mr Mark Muzzin (resigned 17 August 2014)
Mr Anthony Rechner
Mr Peter Armitage

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- Exploration for minerals in Australia
- Continuing the group's relationship with Monash University on Graphene Research

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

Review of operations
The profit for the consolidated entity after providing for income tax amounted to $1,275,159 (30 June 2013: loss of $266,053).

The net assets of the consolidated entity increased by $6,298,830 to $12,942,500 as at 30 June 2014 (2013 :$6,643,670). The major movements during the financial year included, the increase in the carrying value of the company's investment in Valence Industries Limited (ASX: VXL) by $4.5 million and exploration expenditure increasing by $1.2 million.

The consolidated entity generated a profit during the financial year following the completion of the sale of its remaining 2.4% interest in exploration permit PEL 182 for $2.4 million.

During the previous financial year the consolidated entity changed its accounting policy in relation to exploration expenditure, resulting in $334,265 capitalised to the balance sheet in relation to the Spencer joint venture. Previously all capitalised expenditure had been written off to profit or loss as incurred.

Included in the loss for the previous year is an impairment of the consolidated entity's investment in Strategic Graphite Limited, in which the consolidated entity held a 20% interest. The impairment was in respect of an indicated market value for the investment, based upon the prospective public offering for Strategic Energy Limited. The investment's fair market value increased post the listing, which took place on 6 January 2014, such that all loss in value previously recorded as an impairment was recouped. However, due to reclassification from an associate to an available-for-sale financial asset, these unrealised fair value gains have been debited to a reserve and not recorded through the profit and loss. This treatment is in accordance with the Australian Accounting Standards.

The review of operations preceding this report outlines the exploration activities and corporate matters for the year.

Significant changes in the state of affairs
During the previous period the consolidated entity entered into agreements to dispose of its 5% interest in exploration permit PEL 182 for a total of $5 million to existing participants in the permit. Whilst the sale agreement with Victoria Oil Exploration (1977) Pty Ltd for 2.6% interest in the permit was completed during the previous financial the year, the sale agreement to Acer Energy Limited of a 2.4% interest remained subject to conditions precedent at 30 June 2013. Completion of the sale took place in the current financial year and the company received a further $2.4 million.

During the financial year, the consolidated entity entered into an agreement with Oil Basins Limited (ASX: OBL) to sell its wholly owned subsidiary, Shelf Oil Pty Ltd, which is the holder of the consolidated entity's 17.5% interest in exploration permit VIC/P41. The consolidated entity also granted OBL a conditional exclusive option over its 25% interest in exploration permit VIC/P47, which could be exercised subject to the offshore regulator NOPTA approving a new variation and extension to the 2014 VIC/P47 Work Program as submitted by the proposed new operator.

The consolidated entity received approval from the offshore regulator NOPTA that the application for a variation of the Work Program was approved and OBL exercised its option. The effect of these exploration permit sales has reduced the consolidated entity's exploration commitment by $19.5 million for the coming years, refer to Note 27 of this annual report.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 9 July 2014 the consolidated entity announced that the sale of its 25% interest in Offshore Gippsland Exploration Permit VIC/P47 had been completed and was issued 6 million fully paid ordinary shares in Oil Basins Limited (ASX: OBL) as consideration.

Since 30 June 2014, the consolidated entity’s fair value of the investment in Valence Industries Limited (ASX Code: VXL) has increased to $18.41 million as at 9 September 2014. This represents an increase of $9.48 million since 30 June 2014.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The consolidated entity will continue to pursue its objective of maximising value of its investments held in exploration assets through continued exploration of areas of interest and sale of interests in permits held.

The consolidated entity's focus for the coming periods will be on advancing its exploration projects and reviewing additional potential exploration project acquisitions.

The consolidated entity will also focus on maintaining its investments in listed entities in particular Valence Industries Limited (ASX:VXL) and also continue its work in the research and development sector through its relationship with Monash University.

Environmental regulation

The consolidated 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.

Information on directors

Name:	Mr Glenister Lamont
Title:	Non-Executive Chairman
Qualifications:	BEng Mining (Hons), MBA (IMD Switzerland) FAICD, FFin MAusIMM
Experience and expertise:	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.
Other current directorships:	Golden Rim Resources Limited & Valence Industries Limited
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit & Risk Management Committee.
Interests in shares:	100,000 ordinary shares
Interests in options:	3,000,000 unlisted options exercisable at 4.52 cents on or before the 25 December 2016

Name:	Mr Mark M Muzzin (resigned as Managing Director on 17 August 2014)
Title:	Chief Executive Officer
Qualifications:	B.A.
Experience and expertise:	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 multiple capital raising activities for resource companies in Australia and has consulted to various oil/gas and minerals companies. Mr Muzzin holds a number directorships in private companies and is a non-executive Director of ASX listed Ishine International Resources Limited. Mr Muzzin is a Member of the Petroleum Exploration Society of Australia.
Other current directorships:	Ishine International Resources Limited, U Energy Limited (a wholly owned subsidiary of Kingston Resources Limited)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	13,500,000 fully paid ordinary shares
Interests in options:	10,000,000 unlisted options exercisable at 4.52 cents on or before the 25 December 2016

Name:	Mr Peter Armitage
Title:	Non-Executive Director
Qualifications:	FCA FAICD
Experience and expertise:	Peter Armitage began his professional career over 40 years ago with an international accounting firm, specialising in start-ups and work-outs. After qualification he was invited into partnership of a national firm that he maintained until he set up his own practice in 1978, of which he remains principal. Since the early 1980's he has been a Director of a number of listed exploration companies in both Australia and New Zealand concentrating on fiscal aspects of project modelling and procurement of capital. Recently he has been responsible for a number of successful IPOs supervising Due Diligence and Corporate Governance matters as well as attending to all compliance matters. Mr Armitage has also been involved in various consulting assignments in Peoples Republic of China, Canada, USA, Hong Kong, and UK for Fortune 500 companies.
Other current directorships:	None
Former directorships (last 3 years):	Oroya Mining Limited (resigned 5 July 2012)
Special responsibilities:	Chairman of the Audit & Risk Management Committee
Interests in shares:	200,560 fully paid ordinary shares
Interests in options:	3,000,000 unlisted options exercisable at 4.52 cents on or before the 25 December 2016

Name:	Mr Anthony Rechner
Title:	Technical Director
Qualifications:	BSc
Experience and expertise:	Anthony Rechner has over forty years' experience in Australia and overseas working in mineral and petroleum exploration and holds a Bachelor of Science degree in Geology and Physics from the University of Adelaide. Mr Rechner's role as Chairman and/or Managing Director of Windsor Resources NL, Brunswick NL and Geographe Resources Ltd resulted in these companies evolving from small explorers to major gold producers at Mount Percy, Galtee More and Chalice respectively. Mr Rechner also played a key role in the discovery and ongoing development of two mineral sands mines in Western Australia for Falcon Minerals Ltd. Previously a director of SER from 1991 to 2007 Mr Rechner was responsible for the acquisition of the Uley Graphite mine and the Spencer project.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	26,525,880 fully paid ordinary shares
Interests in options:	10,000,000 unlisted options exercisable at 4.52 cents on or before the 25 December 2016

'Other current directorships' quoted above are current directorships for ASX listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for ASX listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary
Ms Melanie Leydin is a Chartered Accountant and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

In the course of her practice she audits listed and unlisted public companies involved in the resources industry. Her practice also involves outsourced company secretarial and accounting services to public companies in the resources sector. This involves preparation of statutory financial statements, annual reports, half year reports, stock exchange announcements and quarterly ASX reporting and other statutory requirements.

Ms Leydin has 22 years' experience in the accounting profession and is a director and company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Stock Exchange.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mr M Muzzin	11	11	-	-
Mr G Lamont	11	11	3	3
Mr P Armitage	11	11	3	3
Mr A Rechner	10	11	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company.

Alignment to shareholders' interests:
- focuses on sustained growth in shareholder wealth, consisting of growth in share price and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers value;
- attracts and retains high calibre executives.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

For additional duties in assisting management beyond the normal time commitments of non-executive directors, non-executive directors are paid a per diem rate, with the amounts approved by other directors.

ASX Listing rules requires that the aggregate non-executive directors remuneration shall be determining periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2009, where the shareholders approved an aggregate remuneration of $300,000. No amendments have been made to the available non-executive director remuneration pool since that date.

Executive remuneration
The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has three components:
- base pay and non-monetary benefits
- share-based payments
- other remuneration such as long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

The long-term incentives ('LTI') includes long service leave and share-based payments.

Consolidated entity performance and link to remuneration
The remuneration of the Directors and executives are not linked to the performance, share price or earnings of the consolidated entity.

Non-executive Directors and executives have been granted options over shares in the current period. The recipients of options are responsible for growing the entity and increasing shareholder value. The options provide an incentive to the recipients to remain with the entity and to continue to enhance the group's value.

Voting and comments made at the company's 24 October 2013 Annual General Meeting ('AGM')
The company received 86.57% of 'for' votes in relation to its remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2014	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Mr G Lamont	65,728	-	-	6,080	-	48,000	119,808
Mr P Armitage	43,819	-	-	3,969	-	48,000	95,788
Executive Directors:							
Mr M Muzzin	268,857	-	-	17,775	-	160,000	446,632
Mr A Rechner *	183,570	-	-	-	-	160,000	343,570
Other Key Management Personnel:							
Ms M Leydin **	103,500	-	-	-	-	16,000	119,500
	665,474	-	-	27,824	-	432,000	1,125,298

* Fees paid to Tangram Pty Ltd in respect of Geological consulting services.
** Fees paid to Leydin Freyer Corp Pty Ltd in respect of Company Secretarial and Accounting services.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2013	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Mr G Lamont	67,500	-	-	6,075	-	-	73,575
Mr P Armitage *	95,261	-	-	4,050	-	-	99,311
Executive Directors:							
Mr M Muzzin	252,630	-	-	22,737	-	-	275,367
Mr A Rechner **	82,650	-	-	-	-	-	82,650
Other Key Management Personnel:							
Ms M Leydin ***	108,000	-	-	-	-	-	108,000
	606,041	-	-	32,862	-	-	638,903

* The amount includes additional per diem fees paid for additional services in assisting management.
** Fees paid to Tangram Pty Ltd in respect of Geological consulting services. Prior to Mr Rechner's appointment to the board, Tangram Pty Ltd provided Geological services to the consolidated entity and received $39,910 in consulting fees. This amount is not included in the table above.
*** Fees paid to Leydin Freyer Corporate Pty Ltd in respect of Company Secretarial and Accounting services.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2014	2013	2014	2013	2014	2013
Non-Executive Directors:						
Mr G Lamont	60%	100%	-%	-%	40%	-%
Mr P Armitage	50%	100%	-%	-%	50%	-%
Executive Directors:						
Mr M Muzzin	64%	100%	-%	-%	36%	-%
Mr A Rechner	53%	100%	-%	-%	47%	-%
Other Key Management Personnel:						
Ms M Leydin	87%	100%	-%	-%	13%	-%

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Mark M Muzzin
Title:	Managing Director
Agreement commenced:	1 January 2013
Term of agreement:	The employment contract is for a period of 3 years and is then subject to an annual review by mutual agreement.
Details:	Mr Muzzin may resign and thus terminate the contract by giving three (3) months notice.The Company may terminate the contract by giving six (6) months notice in writing or payment in lieu thereof, or a combination of notice and payment in lieu. The Company provided Mr Muzzin with 6 months notice on 17 February 2014.

Name:	Mr Anthony Rechner
Title:	Technical Director
Agreement commenced:	5 April 2013
Term of agreement:	Contract is for a period of 3 years
Details:	Mr Rechner is contracted to provide geological and technical services to Strategic Energy Resources Limited, and is remunerated on a daily rate. The Company may terminate the agreement by giving six (6) months notice in writing. Mr Rechner can terminate the agreement by giving one (1) month's notice.

Name:	Mr Mark M Muzzin
Title:	Chief Executive Officer
Agreement commenced:	18 August 2014
Term of agreement:	30 calendar months from the commencement date
Details:	The Company may terminate the contract by giving six (6) months notice in writing or payment in lieu thereof, or a combination of notice and payment in lieu.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
24 October 2013 - 26,000,000 options	24 October 2013	25 December 2016	$0.0452	$0.016
24 October 2013 - 1,000,000 options	24 January 2014	25 December 2016*	$0.0452	$0.016

* The expiry date of these options are the earlier of 1 month following cessation of employment by Ms Leydin or 25 December 2016.

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Number of options granted during the year 2014	Number of options granted during the year 2013	Number of options vested during the year 2014	Number of options vested during the year 2013
Mr M Muzzin	10,000,000	-	10,000,000	-
Glenister Lamont	3,000,000	-	3,000,000	-
Peter Armitage	3,000,000	-	3,000,000	-
Anthony Rechner	10,000,000	-	10,000,000	-
Melanie Leydin *	1,000,000	-	1,000,000	-

* Options had a vesting period of three months after been granted on the 24 October 2013

Additional information
The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2010 $	2011 $	2012 $	2013 $	2014 $
Revenue	82,623	1,005,736	120,693	2,705,619	2,648,381
Profit before income tax	(1,458,053)	(703,491)	(1,866,425)	(266,053)	1,275,159
Profit after income tax	(1,458,053)	(703,491)	(1,866,425)	(266,053)	1,275,159

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

	2010	2011	2012	2013	2014
Share price at financial year end ($)	0.01	0.02	0.03	0.03	0.04
Basic earnings per share (cents per share)	(0.47)	(0.21)	(0.55)	0.27	0.37

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr M Muzzin	13,500,000	-	-	-	13,500,000
Mr G Lamont	100,000	-	-	-	100,000
Mr P Armitage	200,560	-	-	-	200,560
Mr A Rechner	26,525,880	-	-	-	26,525,880
	40,326,440	-	-	-	40,326,440

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mr M Muzzin*	-	10,000,000	-	-	10,000,000
Mr G Lamont*	-	3,000,000	-	-	3,000,000
Mr P Armitage*	-	3,000,000	-	-	3,000,000
Mr A Rechner *	-	10,000,000	-	-	10,000,000
Ms M Leydin*	-	1,000,000	-	-	1,000,000
	-	27,000,000	-	-	27,000,000

* Options issued to Key Management Personnel as remuneration approved by shareholders at 2013 Annual General Meeting

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Strategic Energy Resources Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
24 October 2013	25 December 2016	$0.0452	28,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Strategic Energy Resources Limited issued on the exercise of options during the year ended 30 June 2014 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

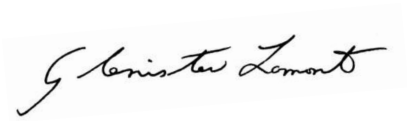
Officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd
There are no officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 25.

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Glenister Lamont
Chairman

11 September 2014
Melbourne

Strategic Energy Resources Limited
Corporate Governance Statement
30 June 2014

The Board of Directors ('the Board') of Strategic Energy Resources Limited (the 'company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to manage and disclose those functions.	The Board is responsible for the overall corporate governance of the company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. The Board has adopted a Delegations of Authority that sets limits of authority for senior executives. On appointment of a director, the company issues a letter of appointment setting out the terms and conditions of appointment to the Board.	Complies.
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 performance of the Company as a whole.	Complies.
1.3	Provide the information indicated in *Guide to reporting on Principle 1.*	A Board charter has been disclosed on the company's website and is summarised in this Corporate Governance Statement. A performance evaluation process is included in the Board Charter, which has been disclosed on the company's website and is summarised in this Corporate Governance Statement. The Board conducted a performance evaluation for senior executives in the financial year in accordance with the process above.	Complies. Complies. Complies.
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	The Board currently only has 1 independent director of the company. Mr Glenister Lamont is an independent Non-executive Director and Chairman. Mr Peter Armitage is a Non-executive Director. Mr Anthony Rechner is an Executive Director who was appointed to the Board on 15 February 2013.	Does not comply. The Board recognises that it is desirable for the majority of the Board to be Independent Directors.

Principles and Recommendations		**Compliance**	**Comply**
2.2	The chair should be an independent director.	Mr Glenister Lamont is the Chairman and is an independent Non-Executive Director.	Complies.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Mr Glenister Lamont is the Chairman and Mr Mark Muzzin the Chief Executive Officer.	Complies.
2.4	The Board should establish a nomination committee.	The company has not established 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.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The company conducts the process for evaluating the performance of the Board, its committees and individual directors as outlined in the Board Charter which is available on the company's website. The Board's induction program provides incoming directors with information that will enable them to carry out their duties in the best interests of the company. This includes supporting ongoing education of directors for the benefit of the company.	Complies.
2.6	Provide the information indicated in the *Guide to reporting on Principle 2.*	This information has been disclosed (where applicable) in the directors' report attached to this Corporate Governance Statement. Mr Glenister Lamont is an independent director of the company. A director is considered independent when he substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations. Members of the Board are able to take independent professional advice at the expense of the company. Mr Glenister Lamont, Non-Executive Chairman, was appointed to the Board in December 2008. Mr Mark Muzzin, Managing Director and Chief Executive Officer, was appointed to the Board in December 2008. Mr Muzzin	Complies. .

Principles and Recommendations		**Compliance**	**Comply**
		resigned as Managing Director on 17 August 2014. Mr Peter Armitage, Non-Executive Director, was appointed to the Board in March 2011. Mr Anthony Rechner, Technical Director, was appointed to the Board in February 2013. The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the company. In accordance with the information suggested in *Guide to Reporting on Principle 2*, the company has disclosed full details of its directors in the director's report attached to this Corporate Governance Statement. Other disclosure material on the Structure of the Board has been made available on the company's website.	
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The code is available on the company's website.	Complies.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction. The Board has prepared a Diversity Policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the company, education programs to develop skills and experience in preparation for Board and senior management positions, processes to include review and appointment of directors, and identify key measurable diversity performance objectives for the Board, CEO and senior management.	Complies
	Companies should disclose in each annual report the	The company will report, where appropriate, in each annual report the measurable	Complies

Principles and Recommendations		**Compliance**	**Comply**
3.3	measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	objectives for achieving gender diversity set by the Board.	
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The Board currently comprises of 3 male Directors and one female in a senior management role being the Company Secretary. The proportion of females in the company is 16% being 1 out of a total of 6 employees.	Complies
3.5	Provide the information indicated in *Guide to reporting on Principle 3*.	This information is available on the Company's website.	Complies
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	The Board has established an audit and risk committee which operates under an audit and risk committee charter to focus on issues relevant to the integrity of the company's financial reporting.	Complies.
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	Members of the audit and risk committee are Mr Peter Armitage (Chair) and Mr Glenister Lamont. Mr Peter Armitage is a Non-Executive Director and is not chair of the Board. The committee consists of two non-executive directors. Only Mr Lamont is independent (see principle 2.1).	The Committee only has 2 members (and only one independent director) due to the current size structure of the Board and to ensure there are no executive directors on the Committee.
4.3	The audit committee should have a formal charter.	The Board has adopted an audit and risk charter. This charter is available on the company's website.	Complies.
4.4	Provide the information indicated in *Guide to reporting on Principle 4.*	In accordance with the information suggested in *Guide to Reporting on Principle 2,* this has been disclosed in the directors' report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement. The members of the audit and risk committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution.	Complies.

Principles and Recommendations		**Compliance**	**Comply**
		The audit and risk committee held two meetings during the period to the date of the directors' report and meets at least twice per annum. The audit and risk charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners (which is determined by the audit committee), is available on the company's website.	
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules 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 continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. This policy is available on the company's website.	Complies.
5.2	Provide the information indicated in the *Guide to reporting on Principle 5.*	The company's continuous disclosure policy is available on the company's website.	Complies.
Principle 6 – Respect the rights of shareholders			
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. The company uses its website (www.strategicenergy.com.au), annual report, market announcements and media disclosures to communicate with its shareholders, as well as encourages participation at general meetings. This policy is available on the company's website.	Complies.
6.2	Provide the information indicated in the *Guide to reporting on Principle 6.*	The company's shareholder communications policy is available on the company's website.	Complies.
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The company has adopted a risk management statement within the audit and risk committee charter. The audit and risk committee is responsible for managing risk; however, ultimate responsibility for risk oversight and risk management rests with the Board.	Complies.

Principles and Recommendations		Compliance	Comply
		The audit and risk charter is available on the company's website and is summarised in this Corporate Governance Statement.	
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 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 and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board has received a statement from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.
7.4	Provide the information indicated in *Guide to reporting on Principle 7.*	The Board has adopted an audit and risk charter which includes a statement of the company's risk policies. This charter is available on the company's website and is summarised in this Corporate Governance Statement. The company has identified key risks within the business and has received a statement of assurance from the chief executive officer and chief financial officer.	Complies.

Principle 8 – Remunerate fairly and responsibly			
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 the Company. The role of remuneration committee is carried out by the full Board.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The company complies with the guidelines for executive remuneration packages and non-executive director remuneration. No senior executive is involved directly in deciding their own remuneration.	Complies.
8.3	Provide the information indicated in *the Guide to reporting on Principle 8.*	The information has been disclosed in the Annual Report	Complies.

Strategic Energy Resources Limited's corporate governance practices were in place for the financial year ended 30 June 2014 and to the date of signing the directors' report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Strategic Energy Resources Limited, refer to our website:

www.strategicenergy.com.au

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Auditor's Independence Declaration
To the Directors of Strategic Energy Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Strategic Energy Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 11th September 2014

Strategic Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Revenue	5	2,648,381	2,705,619
Share of losses of associates accounted for using the equity method	6	-	(74,046)
Expenses			
Permanent loss on AFS financial asset	13	(70,000)	-
Employee benefits expense	5	(227,200)	(277,949)
Consultant expenses		(164,330)	(279,837)
Depreciation expense		(2,936)	(2,182)
Impairment of equity accounted investment	12	-	(1,530,194)
Loss on sale of assets		(3,508)	-
Corporate expenses		(78,076)	(153,344)
Occupancy expenses		(45,771)	(56,002)
Legal expenses		(21,660)	(255,518)
Insurance expenses		(30,983)	(31,883)
Exploration expenditure written off		(110,557)	(160,846)
Other expenses		(95,088)	(149,871)
Monash agreement research and development costs		(75,113)	-
Share based payments		(448,000)	-
Profit/(loss) before income tax expense		1,275,159	(266,053)
Income tax expense	8	-	-
Profit/(loss) after income tax expense for the year attributable to the owners of Strategic Energy Resources Limited		1,275,159	(266,053)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Gain on the revaluation of available-for-sale financial assets, net of tax		4,575,671	-
Other comprehensive income for the year, net of tax		4,575,671	-
Total comprehensive income for the year attributable to the owners of Strategic Energy Resources Limited		5,850,830	(266,053)
		Cents	**Cents**
Basic earnings per share	35	0.37	(0.08)
Diluted earnings per share	35	0.37	(0.08)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Strategic Energy Resources Limited
Statement of financial position
As at 30 June 2014

	Note	Consolidated 2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	9	2,440,987	2,086,455
Trade and other receivables	10	15,712	350,787
Other	11	32,770	46,510
Total current assets		2,489,469	2,483,752
Non-current assets			
Investments accounted for using the equity method	12	-	4,357,781
Available-for-sale financial assets	13	9,003,452	-
Property, plant and equipment	14	4,064	5,609
Exploration and evaluation	15	1,607,722	334,265
Other	16	21,717	20,586
Total non-current assets		10,636,955	4,718,241
Total assets		13,126,424	7,201,993
Liabilities			
Current liabilities			
Trade and other payables	17	88,264	234,970
Employee benefits	18	66,578	63,345
Other	19	-	240,000
Total current liabilities		154,842	538,315
Non-current liabilities			
Employee benefits	20	29,082	20,008
Total non-current liabilities		29,082	20,008
Total liabilities		183,924	558,323
Net assets		12,942,500	6,643,670
Equity			
Issued capital	21	28,833,224	28,833,224
Reserves	22	(18,824,410)	(23,848,081)
Retained profits		2,933,686	1,658,527
Total equity		12,942,500	6,643,670

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

Strategic Energy Resources Limited
Statement of changes in equity
For the year ended 30 June 2014

Consolidated	Contributed equity $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2012	28,833,224	1,924,580	(23,848,081)	6,909,723
Loss after income tax expense for the year	-	(266,053)	-	(266,053)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(266,053)	-	(266,053)
Balance at 30 June 2013	28,833,224	1,658,527	(23,848,081)	6,643,670

Consolidated	Contributed equity $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2013	28,833,224	1,658,527	(23,848,081)	6,643,670
Profit after income tax expense for the year	-	1,275,159	-	1,275,159
Other comprehensive income for the year, net of tax	-	-	4,575,671	4,575,671
Total comprehensive income for the year	-	1,275,159	4,575,671	5,850,830
Transactions with owners in their capacity as owners:				
Share-based payments (note 35)	-	-	448,000	448,000
Balance at 30 June 2014	28,833,224	2,933,686	(18,824,410)	12,942,500

The above statement of changes in equity should be read in conjunction with the accompanying notes

Strategic Energy Resources Limited
Statement of cash flows
For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(783,169)	(1,119,131)
Interest received		84,216	79,954
Joint Venture Management fee received		20,670	-
Net cash used in operating activities	33	(678,283)	(1,039,177)
Cash flows from investing activities			
Payments for property, plant and equipment	14	-	(3,431)
Payments for exploration and evaluation	15	(1,827,307)	(495,110)
Loans advanced to associate		(59,803)	(287,433)
Proceeds from repayment of loan		351,781	-
Proceeds from joint venture partner		408,144	-
Proceeds from sale of tenement assets		2,160,000	2,600,000
Deposit received from sale of tenement assets		-	240,000
Net cash from investing activities		1,032,815	2,054,026
Cash flows from financing activities			
Net cash from financing activities		-	-
Net increase in cash and cash equivalents		354,532	1,014,849
Cash and cash equivalents at the beginning of the financial year		2,086,455	1,071,606
Cash and cash equivalents at the end of the financial year	9	2,440,987	2,086,455

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Strategic Energy Resources Limited as a consolidated entity consisting of Strategic Energy Resources Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Strategic Energy Resources Limited's functional and presentation currency.

Strategic Energy Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

The financial statements were authorised for issue, in accordance with a resolution of directors, on 11 September 2014. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The application of the standard has not impacted the composition of the consolidated entity.

AASB 11 Joint Arrangements
The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportionate consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications. The application of the standard has not impacted the financial report of the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 January 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

Note 2. Significant accounting policies (continued)

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 January 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Strategic Energy Resources Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Strategic Energy Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Note 2. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Management Fees

Management fees receivable as operator of exploration tenements are recognised when they become due from the counter-party. All management fees are billed in accordance with relevant joint operation agreements.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Significant accounting policies (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance 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. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Associates
Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Note 2. Significant accounting policies (continued)

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost 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. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Motor Vehicle	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Note 2. Significant accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Investments in associates and joint ventures
Associates are those entities which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Exploration and evaluation assets
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 2. Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Annual leave

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. Annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability as the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

Long service leave

The liability for long service leave not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

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

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

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

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Note 2. Significant accounting policies (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Note 2. Significant accounting policies (continued)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Strategic Energy Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 4. Operating segments

Identification of reportable operating segments
The consolidated entity operated predominately as an explorer for base precious metals, with the emphasis on copper, gold and uranium mineralisation within Australia. In previous years the consolidated entity operated in oil and gas exploration in addition to base metals, however, it disposed of all assets in relation to oil and gas exploration in prior periods in order to focus operations on base metals.

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The board reviews the consolidated entity as a whole in the business segment of mineral exploration within Australia, including managing its investment in Valence Industries Limited.

Revenue by geographical area
All assets and liabilities and operations are based in Australia.

Note 5. Revenue

	Consolidated	
	2014 $	2013 $
Fees earned as operator of joint operations	20,670	22,542
Interest revenue	99,321	83,077
Sale of tenement assets	2,504,850	2,600,000
R&D tax refund received	23,540	-
Revenue	2,648,381	2,705,619

During the previous financial year the consolidated entity entered into agreements to sell its 5% interest in onshore petroleum exploration permit PEL 182 to the other participants in the permit. The agreement to sell a 2.6% interest in the permit to Victoria Oil Exploration (1977) Pty Ltd was completed and settled during the previous year. The sale of the other 2.4% interest to Acer Energy Limited was completed in the current year, following satisfaction of all conditions precedent and the remaining proceeds for the $2.4 million sale were received.

As part of consolidated entity's joint venture agreement with U Energy Pty Ltd, the entity received management fees totalling $20,670 during the current period. The company received interest revenue during the current period amounting to $99,321 from both cash on deposits and cash at bank. As part of the loan amount owed to the company by Valence Industries Limited (ASX:VXL) (formerly Strategic Graphite Limited), the company received $11,986 as interest on this loan.

Note 6. Share of losses of associates accounted for using the equity method

	Consolidated	
	2014 $	2013 $
Share of losses - associates	-	(74,046)

See note 12 for details of the consolidated entity's interest in associates.

Note 7. Expenses

	Consolidated 2014 $	Consolidated 2013 $
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation	2,936	2,182
Legal Fees relating to MEGA Graphite transaction	-	228,100
	2,936	230,282
Operating lease payments	45,771	51,258
Share-based payments expense		
Share-based payments expense	448,000	-
Research costs		
Research costs	75,113	30,000
Salary costs	335,221	327,836
Defined contribution superannuation expense	39,824	33,556
Other payroll associated costs	14,178	35,988
Employee costs allocated to exploration projects	(162,023)	(119,431)
Total payroll costs	227,200	277,949

Note 8. Income tax expense

	Consolidated 2014 $	Consolidated 2013 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	1,275,159	(266,053)
Tax at the statutory tax rate of 30%	382,548	(79,816)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payments	134,400	-
Impairment of assets	-	459,058
Other permanent differences	14,554	950
Share of loss of equity accounted investment	-	22,214
Movement in provisions	(95,413)	-
Accrued expenses	(5,385)	-
Other timing differences	25,059	-
	455,763	402,406
Prior year tax losses not recognised now recouped	(455,763)	(412,532)
Prior year temporary differences not recognised now recognised	-	10,126
Income tax expense	-	-

Note 8. Income tax expense (continued)

	Consolidated 2014 $	Consolidated 2013 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	7,233,010	7,688,774
Temporary differences	(135,625)	(131,441)
Potential tax benefit @ 30%	7,097,386	7,557,333

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

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

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
(iii) no change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

	Consolidated 2014 $	Consolidated 2013 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	302,305	763,621
Temporary differences	(135,625)	(129,889)
Total deferred tax assets not recognised	166,680	633,732

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 9. Current assets - cash and cash equivalents

	Consolidated 2014 $	Consolidated 2013 $
Cash at bank	168,191	1,086,280
Cash on deposit	2,272,796	1,000,175
	2,440,987	2,086,455

Cash on deposits represents short term deposits.

Note 10. Current assets - trade and other receivables

	Consolidated	
	2014	**2013**
	$	**$**
Trade receivables	-	385,696
Less: Provision for impairment of receivables	-	(361,610)
	-	24,086
Loan - Strategic Graphite Limited	-	282,381
GST receivable	15,712	44,320
	15,712	350,787

Due to the short term nature of the receivables, their carrying value is assumed to be approximately their fair value. No collateral or security is held. No interest is charged on the receivables. The consolidated entity has financial risk management policies in place to ensure that all receivable are received within the credit timeframe.

The loan to Valence Industries Limited ("VXL") (formerly Strategic Graphite Limited ("SGL")) represented amounts paid on behalf of SGL under a funding agreement. As per the terms of the agreement the loan was repaid in full by ("VXL") before 31 December 2014 or such other date as agreed by the two companies.

Note 11. Current assets - other

	Consolidated	
	2014	**2013**
	$	**$**
Accrued interest	16,572	12,658
Prepayments	6,879	24,533
Security deposits	9,319	9,319
	32,770	46,510

Note 12. Non-current assets - investments accounted for using the equity method

	Consolidated	
	2014	**2013**
	$	**$**
Investment in Strategic Graphite Limited	-	4,357,781

Refer to note 31 for further information on investments in associates.

Note 12. Non-current assets - investments accounted for using the equity method (continued)

The investment in associate relates to the consolidated entity's interest in Valence Industries Limited (ASX Code: VXL), a public unlisted company at the balance date, (previously Strategic Graphite Limited and Tarcoola Gold Limited). At 30 June 2013 the consolidated entity reviewed the carrying value of its investment in Strategic Graphite Limited and determined that the investment was impaired. The basis for this judgement was an indicative market value of its investment based on a proposed ASX Listing for Strategic Graphite Limited, as detailed in the mandate executed with Patersons Corporate Finance. The result of this indicative value was an impairment of the assets of $1,530,194. This amount was reported on the face of the Statement of Profit and Loss and Other Comprehensive Income.

On 20 December 2013, it was announced that Valence Industries Limited had successfully completed its Placement and Rights Issue capital raising, raising $6.73 million. Subsequent to 31 December 2013, the fully paid ordinary shares of VXL were listed on the ASX. As a result of the completion of the Placement and Rights Issue, the consolidated entity's holding in VXL has been significantly diluted. Consequently the consolidated entity is no longer in a position to significantly influence over the operations of VXL, and the investment has been reclassified to available-for-sale financial assets.

Note 13. Non-current assets - available-for-sale financial assets

	Consolidated	
	2014 **$**	**2013** **$**
Investment in Oil Basins Limited	70,000	-
Investment in Valence Industries Limited	8,933,452	-
	9,003,452	-

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

	2014 $	2013 $
Opening fair value	-	-
Reclassification of investments previously accounted for using the equity method	4,357,781	-
Revaluation increments	4,575,671	-
Acquired as consideration for sale of VIC/P41	140,000	-
Impairment of assets	(70,000)	-
Closing fair value	9,003,452	-

The investment in Oil Basins Limited resulted from the disposal of the consolidated entity's interest in exploration licence VIC P/41, through the sale of Shelf Oil Pty Ltd to Oil Basins Limited (ASX Code: OBL) on 18 November 2013. The consideration received was 7,000,000 fully paid ordinary shares in OBL, issued at $0.02 (2 cents) per share. At the date of disposal the asset and the consideration paid was valued at $140,000.

For details of the investment in Valence Industries Limited, refer to note 12.

All financial assets held by the consolidated entity at fair value are valued in accordance AASB 13, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair values of the financial assets held have been determined by reference to the quoted price on the ASX at 30 June 2014.

Note 14. Non-current assets - property, plant and equipment

	Consolidated 2014 $	Consolidated 2013 $
Plant and equipment - at cost	121,306	117,667
Less: Accumulated depreciation	(117,242)	(112,058)
	4,064	5,609

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant & Equipment $	Total $
Balance at 1 July 2012	4,360	4,360
Additions	3,431	3,431
Depreciation expense	(2,182)	(2,182)
Balance at 30 June 2013	5,609	5,609
Additions	5,000	5,000
Disposals	(100)	(100)
Write off of assets	(3,509)	(3,509)
Depreciation expense	(2,936)	(2,936)
Balance at 30 June 2014	4,064	4,064

Note 15. Non-current assets - exploration and evaluation

	Consolidated 2014 $	Consolidated 2013 $
Exploration and evaluation - at cost	1,607,722	334,265

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Exploration $	Total $
Balance at 1 July 2012	-	-
Additions	495,111	495,111
Impairment of assets	(160,846)	(160,846)
Balance at 30 June 2013	334,265	334,265
Expenditure during the year	1,792,158	1,845,414
Cash calls to joint venture partners	(408,144)	(408,144)
Exploration expenditure written off	(110,557)	(110,557)
Balance at 30 June 2014	1,607,722	1,660,978

Note 16. Non-current assets - other

	Consolidated	
	2014 $	2013 $
Bank guarantee	21,717	20,586

Interest has accrued on the bank deposit of $20,000 lodged as security over a credit card facility.

Note 17. Current liabilities - trade and other payables

	Consolidated	
	2014 $	2013 $
Trade payables	54,878	164,895
Sundry payables and accrued expenses	33,386	70,075
	88,264	234,970

Refer to note 24 for further information on financial instruments.

Note 18. Current liabilities - employee benefits

	Consolidated	
	2014 $	2013 $
Annual leave	66,578	63,345

Note 19. Current liabilities - other

	Consolidated	
	2014 $	2013 $
Deposits received	-	240,000

During the previous financial year the consolidated entity entered into an agreement to sell its 5% holding in permit PEL 182 to the other participants in the permit. Under the terms of the agreement to sell 2.4% of its holding in the permit to Acer a deposit of $240,000 was received. At 30 June 2013 all conditions of sale had not been satisfied, accordingly the sale had not yet been recognised and the deposit received held as a creditor. During the current period the sale was completed and the $240,000 was transferred to income.

Note 20. Non-current liabilities - employee benefits

	Consolidated	
	2014 $	2013 $
Long service leave	29,082	20,008

Note 21. Equity - issued capital

	Consolidated			
	2014 Shares	2013 Shares	2014 $	2013 $
Ordinary shares - fully paid	348,622,501	348,622,501	28,833,224	28,833,224

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

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

There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via equity or joint ventures with other companies.

The consolidated entity is not subject to any externally imposed capital requirements.

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

The capital risk management policy remains unchanged from the 30 June 2013 Annual Report.

Note 22. Equity - reserves

	Consolidated	
	2014 $	2013 $
Revaluation surplus reserve	-	-
Available-for-sale reserve	4,575,671	-
Options reserve	448,000	-
Demerger Reserve	(23,848,081)	(23,848,081)
	(18,824,410)	(23,848,081)

Available-for-sale reserve
The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Options reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 22. Equity - reserves (continued)

Demerger reserve
This reserve is used to recognise the in-specie distribution to shareholders as a result of the demerger of Valence Industries Limited (formerly Strategic Graphite Limited and Tarcoola Gold Limited) on 27 April 2012.

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

Consolidated	Revaluation reserve surplus $	Option reserve $	Demerger reserve $	Total $
Balance at 1 July 2012	-	-	(23,848,081)	(23,848,081)
Balance at 30 June 2013	-	-	(23,848,081)	(23,848,081)
Fair value gain on available-for-sale financial assets	4,575,671	-	-	4,575,671
Share-based payments	-	448,000	-	448,000
Balance at 30 June 2014	4,575,671	448,000	(23,848,081)	(18,824,410)

Note 23. Equity - dividends

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

Note 24. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity is not exposed to foreign currency risk.

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

Price risk
The consolidated entity is exposed to price risk in relation to the shares that it holds in other listed entity's.

Note 24. Financial instruments (continued)

Consolidated - 2014	Average price increase % change	Average price increase Effect on equity	Average price decrease % change	Average price decrease Effect on equity
Shares in Listed Entities	50%	4,501,726	50%	(4,501,726)

Interest rate risk
The consolidated entity is not exposed to significant interest rate risk as deposits are held with established banks with interest rates that are in line with the RBA and other bank rates.

As at the reporting date, the consolidated entity had the following variable interest rates:

	2014		2013	
Consolidated	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash at bank and in hand	2.50%	168,191	2.75%	1,086,280
Cash on deposit	3.55%	2,272,796	4.20%	1,028,330
Net exposure to cash flow interest rate risk		2,440,987		2,114,610

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash at bank and 100 basis points on cash on deposit for the 2013 and 2014 financial years. The impact would not be material on bank balances held at 30 June 2014. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

	Basis points increase			Basis points decrease		
Consolidated - 2014	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash at bank	50	841	841	(50)	(841)	(841)
Cash on deposit	100	22,728	22,728	(100)	(22,728)	(22,728)
		23,569	23,569		(23,569)	(23,569)

	Basis points increase			Basis points decrease		
Consolidated - 2013	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash at bank and in hand	50	5,431	5,431	(50)	(5,431)	(5,431)
Cash on deposit	100	10,283	10,283	(100)	(10,283)	(10,283)
		15,714	15,714		(15,714)	(15,714)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Note 24. Financial instruments (continued)

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 25. Key management personnel disclosures

Directors
The following persons were directors of Strategic Energy Resources Limited during the financial year:

Mr G Lamont (Non-Executive Chairman)
Mr M Muzzin (Managing Director) (resigned 17 August 2014 and appointed as Chief Executive Officer)
Mr P Armitage (Non-Executive Director)
Mr A Rechner (Technical Director)

Other key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Ms M Leydin (Company Secretary)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014 $	2013 $
Short-term employee benefits	665,474	606,041
Post-employment benefits	27,824	32,862
Share-based payments	432,000	-
	1,125,298	638,903

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	Consolidated	
	2014 $	2013 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	20,500	20,000

Remuneration of auditors includes review fees for the Spencer Joint Venture accounts $2,000 (2012: $1,500) and audit fees paid in the previous financial relating to Strategic Graphite Limited (formerly Tarcoola Gold Limited) amounting to $10,900.

Note 27. Commitments

	Consolidated 2014 $	2013 $
Exploration Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	173,000	574,000
One to five years	-	19,181,000
	173,000	19,755,000

In order to maintain current rights to tenure to exploration and mining tenements, the consolidated entity has the above exploration expenditure requirements up until expiry of leases. These obligations, which may be varied from time to time and which are subject to renegotiation upon expiry of the lease are not provided for in the financial report and are payable.

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.

During the financial year, the company sold both of its oil and gas exploration permits VIC/P41 and VIC/P47 to Oil Basins Limited (ASX:OBL) and as such extinguishing the company's exploration commitment. The company received 13 million shares in OBL shares as consideration for these permits.

Note 28. Related party transactions

Parent entity
Strategic Energy Resources Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 30.

Associates
Interests in associates are set out in note 31.

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2014 $	2013 $
Other income:		
Interest received from associate	11,986	9,608
Other income from other related party	20,670	-

Note 28. Related party transactions (continued)

Transactions with Directors or Director Related Entities

Mr M Muzzin is a non-executive director of U Energy Pty Ltd which holds an interest in EL 5010 - Spencer (25%) and EL 5011 - Myall Creek (50%). Strategic Energy Resources Limited holds the balance of the interests in these tenements. Mr Muzzin and Mr A Rechner are also significant shareholders of its parent Company, Kingston Resources Limited (ASX: KSN).

Strategic Energy Resources Limited receives a management fee for operating the joint venture amounting to 5% of administration costs. The consolidated entity charged $20,670 during the current financial year (2012: $22,542).

During the previous financial year, the Company disposed of its shareholding in its subsidiary, Eagle Oil & Gas Pty Ltd, to Mr Muzzin. This subsidiary was a dormant subsidiary with no previous trading history and the disposal was carried out for no consideration.

During the financial year, the Directors of the consolidated entity were also Directors of Valence Industries Limited (ASX: VXL). As part of their appointment, Directors fees were accrued and payable upon successful listing of VXL amounting to $24,310 for Mr Mark Muzzin, Mr Antony Rechner and Mr Peter Armitage and $36,465 for Mr Glenister Lamont.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

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

	Consolidated	
	2014	**2013**
	$	**$**
Current receivables:		
Loan to associate	-	282,831

The loan to associate represents amounts paid on behalf of Valence Industries Limited (previously Strategic Graphite Limited) under a funding agreement. The funding agreement stipulated a credit limit of $750,000 and a repayment date of all outstanding amounts by 31 December 2014. Interest is accrued on the outstanding balance at 13% per annum. This loan has been entered into under normal commercial terms and conditions.

During the financial year the consolidated entity advanced a further $59,803 to Valence Industries Limited ("VXL") (formerly Strategic Graphite Limited) and the loan was also repaid in full prior to 31 December 2013. Mr Muzzin, Mr Rechner and Mr Armitage all resigned on the 16 September 2013. Mr Lamont retains his position as a director of Valence Industries Limited.

Transactions with Directors or Director Related Entities

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

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2014	**2013**
	$	**$**
Profit/(loss) after income tax	1,337,169	(192,007)
Total comprehensive income	5,912,840	(192,007)

Statement of financial position

	Parent	
	2014	**2013**
	$	**$**
Total current assets	2,435,306	5,711,788
Total assets	13,262,468	7,276,040
Total current liabilities	154,092	538,315
Total liabilities	183,174	558,323
Equity		
Issued capital	28,833,225	28,833,225
Available-for-sale reserve	4,575,671	2,733,971
Options reserve	448,000	-
Accumulated losses	(20,778,342)	(24,849,479)
Total equity	13,078,867	6,717,717

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 2013 and 2014.

Contingent liabilities
The parent entity had no contingent liabilities as at 2013 and 2014.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 2013 and 2014.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Strategic Nickel Pty Ltd	Australia	100.00%	100.00%
Eagle Oil & Gas Pty Ltd*	Australia	-%	100.00%
Shelf Oil Pty Ltd **	Australia	-%	100.00%
Graphitech Pty Ltd ***	Australia	100.00%	-%

* Eagle Oil and Gas was disposed on 26 July 2012.
** On 18 November 2013, the company sold all of its shares in Shelf Oil Pty to Oil Basins Limited
*** Incorporated on 19 February 2014

Note 31. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Strategic Graphite Limited	Mineral exploration	-%	20.00%

Valence Industries Limited ('VXL") (formerly Strategic Graphite Limited) is no longer an associate following a rights issue which diluted the companies holding, resulting in the company no longer been in a position of significant influence. Therefore the shares have been reclassified to available-for-sale financial assets.

Summarised financial information

	2013 $
Summarised statement of financial position	
Current assets	1,006
Non-current assets	39,026
Total assets	40,032
Current liabilities	16,505
Total liabilities	16,505
Net assets	23,527
Summarised statement of profit or loss and other comprehensive income	
Expenses	(35,620)
Loss before income tax	(35,620)
Other comprehensive income	-
Total comprehensive income	(35,620)

Note 32. Events after the reporting period

On 9 July 2014 the consolidated entity announced that the sale of its 25% interest in Offshore Gippsland Exploration Permit VIC/P47 had been completed and was issued 6 million fully paid ordinary shares in Oil Basins Limited (ASX: OBL) as consideration.

Since 30 June 2014, the consolidated entity's fair value of the investment in Valence Industries Limited (ASX Code: VXL) has increased to $18.41 million as at 9 September 2014. This represents an increase of $9.48 million since 30 June 2014.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 33. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	Consolidated	
	2014	2013
	$	$
Profit/(loss) after income tax expense for the year	1,275,159	(266,053)
Adjustments for:		
Depreciation and amortisation	2,936	2,182
Impairment of investments	70,000	1,530,194
Share-based payments	448,000	-
Share of losses - associates	-	74,046
Exploration costs written off	110,557	160,846
Gain on sale of interests in mining tenements	(2,504,850)	(2,600,000)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	31,610	(51,707)
Decrease in prepayments	17,654	3,521
Increase/(decrease) in trade and other payables	(141,656)	81,447
Increase in employee benefits	12,307	26,347
Net cash used in operating activities	(678,283)	(1,039,177)

Note 34. Non-cash investing and financing activities

	Consolidated	
	2014	2013
	$	$
Shares issued on sale of petroleum exploration permits	140,000	-

On 18 November 2013, the Company entered into an agreement with Oil Basins Limited for the sale of the consolidated entity's interest in exploration licence VIC P/41, through the sale of its wholly owned subsidiary Shelf Oil Pty Ltd to Oil Basins Limited (ASX Code: OBL). The consideration received was 7,000,000 fully paid ordinary shares in OBL, issued at $0.02 (2 cents) per share.

Note 35. Earnings per share

	Consolidated 2014 $	Consolidated 2013 $
Profit/(loss) after income tax attributable to the owners of Strategic Energy Resources Limited	1,275,159	(266,053)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	348,622,501	348,622,501
Weighted average number of ordinary shares used in calculating diluted earnings per share	348,622,501	348,622,501

	Cents	Cents
Basic earnings per share	0.37	(0.08)
Diluted earnings per share	0.37	(0.08)

Diluted Earnings Per Share

There were 28,000,000 unlisted options (2013: nil) issued during the period. The options held by option holders were not included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they did not meet the requirements for inclusion is AASB 133 "Earnings per Share". The options were non-dilutive as the consolidated entity generated a loss during the financial year.

Note 36. Share-based payments

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

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/10/2013**	25/12/2016	$0.0452	-	28,000,000	-	-	28,000,000
			-	28,000,000	-	-	28,000,000

* A total of 27,000,000 unlisted options were issued to Directors and Key Management Personnel during the year.
** A total of 26,000,000 unlisted options vested immediately and 2,000,000 options vested 3 months following grant.

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

Grant date	Expiry date	2014 Number	2013 Number
24/10/2013	25/12/2016	28,000,000	-
		28,000,000	-

For the options granted during the current financial year, the consolidated entity used a Black-scholes valuation model, with the following inputs used to determine the fair value at grant date:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
24/10/2013	25/12/2016	$0.0300	$0.0452	100.00%	-%	2.67%	$0.016

The option life which was factored into the Black-scholes valuation model was 3.2 years.

Note 37. Change in accounting policy

During the previous year the consolidated entity changed its accounting policy in relation to exploration and evaluation expenditure incurred. Under AASB 6 'Exploration for and Evaluation of Mineral Resources' the consolidated entity previously expensed such expenditure as it was incurred. The board has reviewed this policy, along with its operations and determined to change the accounting policy, in accordance with AASB 6, to capitalise exploration and evaluation expenditure to the extent that it is expected to be recovered by future development of the exploration asset or sale. It was expected that adoption of this policy will result in the provision of more relevant information being provided to the users of the financial report.

The directors previously reviewed the current exploration assets and made adjustments to the carrying value in line with the new policy. Under the newly adopted policy the board identified which of its tenements had incurred expenditure under a current and on-going expenditure plan. It was determined that only the Spencer Joint Venture, Myall Creek & Falcon Bridge had incurred expenditure that was substantial and considered to have been incurred under a current and on-going expenditure plan. It was determined therefore, that only expenditure relating to the Spencer Joint Venture, Myall Creek & Falcon Bridge could be carried forward at 30 June 2014.

The impact on the financial report in the period was that $1,660,978 was capitalised under exploration and evaluation expenditure compared to $334,265 in the previous year. Expenditure on other exploration assets has been incurred and written off in the current period. The expenditure was considered by the directors to be part of exploration expenditure that formed part of exploration and expenditure plans that have been exhausted and are not current and on-going. So whilst there may be further expenditure on those assets, that expenditure will be capitalised and its recoverability assessed at each reporting date.

The directors have also considered the write off of expenditure during the prior year ended 30 June 2013. Whilst it is a possibility that some expenditure on other exploration assets may have been considered current at that time, the consolidated entity's focus had turned to the Spencer Joint Venture.

The impact of the adoption of the accounting policy in the current year on pre-tax and post-tax loss was a reduction in the loss of $1,660,978 compared to $334,265 in the prior year. The impact on net assets is an increase of the same amount and the impact on EPS in the current period is an increase in the gain per share of $0.37 (37 cents) compared to the loss per share of $0.0008 (0.08 cents) in the prior year.

Strategic Energy Resources Limited
Directors' declaration
30 June 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

Glenister Lamont

Glenister Lamont
Chairman

11 September 2014
Melbourne

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Independent Auditor's Report
To the Members of Strategic Energy Resources Limited

Report on the financial report

We have audited the accompanying financial report of Strategic Energy Resources Limited (the "Entity"), which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the consolidated entity comprising the Entity 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 Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards 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 are 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. The Directors also state, in the notes to the financial report, 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 which require us to 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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 consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 16 of the Directors' Report for the year ended 30 June 2014. The Directors of the Entity 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 opinion on the Remuneration Report

In our opinion, the Remuneration Report of Strategic Energy Resources Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 11th September 2014

Strategic Energy Resources Limited
Shareholder information
30 June 2014

The shareholder information set out below was applicable as at 10 September 2014.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	67	-
1,001 to 5,000	79	-
5,001 to 10,000	124	-
10,001 to 100,000	1,279	-
100,001 and over	442	6
	1,991	6
Holding less than a marketable parcel	176	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Avatar Energy Pty Ltd	30,121,811	8.64
E E R C Australasia Pty Ltd (Super Fund A/C)	26,525,880	7.61
Mr Mark Anthony Muzzin	13,500,000	3.87
JP Morgan Nominees Australia Limited	8,079,614	2.32
Citicorp Nominees Pty Limited	7,948,436	2.28
Mr Nicholas Terranova	6,120,000	1.76
HSBC Custody Nominees (Australia) Limited	5,880,157	1.69
ABN Amro Clearing Sydney Nominees Pty Ltd (Custodian A/C)	5,723,509	1.64
Whitesman Investments Pty Ltd (Whitesman S/F A/C)	5,488,219	1.57
Mr Patrick T Bergin	4,570,752	1.31
Mr Mark A Tkocz	4,363,929	1.25
Mr John Andrew MacKay	3,900,000	1.12
F Terranova Investments Pty Ltd (Terranova Super Fund A/C)	3,500,000	1.00
Mr Alister H Forsyth	2,800,000	0.80
Fletcher Family Super Pty Ltd (Ian Fletcher P/L S/F 2 A/C)	2,000,000	0.57
Tradcorp Pty Ltd	2,000,000	0.57
Gregory Young Pty Ltd (Young Family A/C)	2,000,000	0.06
Mr Todd A Wilson & Mrs Jodie L Wilson	2,000,000	0.57
Mr Allan Smith & Mrs Karen Smith (Clayjessem Super Fund A/C)	1,978,436	0.57
Success Oil Company Limited	1,908,326	0.55
	140,409,069	40.27

Strategic Energy Resources Limited
Shareholder information
30 June 2014

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	48,000,000	6

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Avatar Energy Pty Ltd	30,121,811	8.64
E E R C Australasia Pty Ltd (Super Fund A/C)	26,525,880	7.61

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Tenements

Description	Tenement number	Interest owned %
Falconbridge - Western Australia	E38/1970	95.00
Casterton - Victoria	EL 5040	5.00
Myall Creek - South Australia	EL5011	50.00
Spencer - South Australia	EL5010	75.00