

For personal use only



STRATEGIC
ELEMENTS



Annual Report
August 2021

Table of contents

Corporatate information	2
Directors' report	3
Remuneration report (Audited)	17
Auditor's independence declaration	21
Consolidated statement of profit or loss and other comprehensive income	22
Consolidated statement of financial position	23
Consolidated statement of changes in equity	24
Consolidated statement of cash flows	25
Notes to the consolidated financial statements	26
Directors' declaration	52
Independent auditor's report	53
Additional securities exchange information	56

Corporate Information

Strategic Elements Limited

ABN 47 122 437 503

Directors

Charles Murphy
Matthew Howard
Elliot Nicholls

Company Secretary

Matthew Howard

Registered Office

138 Churchill Avenue
Subiaco WA 6008
Tel: +61 8 9278 2788
Fax: +61 8 9288 4400
Web: www.strategicelements.com.au

Solicitors

HFW
Level 15, Brookfield Place – Tower 2
123 St George's Terrace
Perth WA 6000

Auditors

Nexia Perth Audit Services Pty Ltd
Level 3, 88 William Street
Perth WA 6000

Securities Exchange Listing

ASX Limited
ASX Code: SOR

Share Register

Automic Group
Level 2, 267 St George's Terrace
Perth WA 6000
Tel: 1300 288 664
Web: www.automicgroup.com.au

Strategic Elements Pooled Development Fund

Strategic Elements operates as a 'venture builder' and generates 100% owned high risk-high reward ventures and projects from sourcing and combining teams of leading scientists or innovators.

Strategic Elements has a highly beneficial tax structure under which shareholders can gain exposure to innovative Australian ventures and projects.

The Australian Federal Government has registered Strategic Elements as a Pooled Development Fund (PDF) with a mandate to back Australian innovation. PDFs and their shareholders receive tax concessions on their investments. These ATO concession are to help compensate the higher risk of investing in innovative early stage Australian ventures.

- Shareholders are exempt from tax on the income and gains derived from holding and disposing of PDF shares.
- PDFs will be taxed at 15% on the income and gains derived from equity investments in Australian SMEs.

However Strategic Elements does not operate like a typical venture fund

- The Company doesn't seek a large portfolio of minority 10- 20% investments. Instead, it seeks to generate a smaller number of 100% owned ventures in collaboration with teams of leading scientists or innovators.
- A strategic partner or investor with market access may be sought for a particular venture during commercialisation.
- Collaborations and partnerships with Universities and other government research organisations provides access to over \$100M of institutional technical infrastructure and equipment.
- Collaborations and partnerships with government grants combined with the Federal Government Research and Development Rebate (cash back) significantly reduces up front cash expenditure.
- The Company seeks returns through a trade sale or listing of a subsidiary, a licensing deal or income generated from a particular venture.

PDFs are venture capital funds registered under the Pooled Development Funds Act 1992. The aim of the Pooled Development Fund programme is to increase investment into innovative early stage Australian ventures.

The information set out above is of a general nature only and may vary from person to person (dependent on their circumstances). Any shareholder or prospective shareholder should obtain their own taxation advice, rather than relying on this summary.

The Company is backing and developing Australian innovation:

Printable self-charging battery and printable computer memory technologies with an international team of world leading development partners. Key collaboration with world leading material science team at The University of New South Wales and VTT Finland.

Printable Battery technology uses graphene oxide materials to generate electricity from humidity in the air. Extremely small, thin, light weight flexible battery cells. Environmentally friendly materials producing green energy.

The Nanocube Memory Ink is a transparent ink containing billions of nanometre scale particles. When printed onto a glass or plastic surface and assembled with electrodes they operate as computer memory. Being designed to provide electronic device manufacturers freedom in shape and form of new flexible and transparent electronics.

Automation and robotics platform (AxV Platform) being developed to automate tasks currently performed manually by humans or semi-autonomously by machines.

Collaboration with global Fortune 100 Company 'Honeywell' on Autonomous Security Vehicles for the correctional services sector.

Collaboration with Defence Science Technology Group (DSTG), part of the Australian Department of Defence. Designing and delivering an autonomous drone carrying vehicle that automates detection and sensing of chemical, biological, radiological and nuclear agents.

Collaboration with Australian Herbicide Resistance Initiative (AHRI), who are leading global researchers in herbicide resistance and its management in cropping systems, and The University of Western Australia School of Agriculture and Environment (UWA). Testing aspects of automation technology for use in agriculture sector with farmers in Western Australia.

Mineral exploration using geological targeting that seek to apply scientific models to greenfields and brownfield exploration targets through projects held within Australia and New Zealand. The Company has two wholly owned subsidiaries focused on innovation related to mineral exploration. The Company is particularly interested in metals and minerals used in high technology sectors such as copper, gold, nickel, tungsten and rare earths.

Data related technology acquisition/development has been noted by the Company as further potential area for venture generation.

Printed electronics has the potential to transform the electronics industry. Electronic devices are printed onto different surfaces such as plastic and glass using inks that contain highly advanced nanoscale materials and traditional printing methods.

A key advantage of printed electronics is the ability to make environmentally friendly thin, lightweight, flexible, and robust electronic products.

SELF CHARGING BATTERY



Printed Self-charging Battery Technology

Wholly owned venture Australian Advanced Materials Pty Ltd (AAM) is developing a self-charging battery technology with a world leading material science team at the University of New South Wales. The technology opportunity is for an environmentally friendly, renewable, and cost-effective method of harvesting energy from moisture in the air.

The advanced graphene oxide based Battery Ink enables extremely small, thin and light weight battery cells to be printed onto surfaces such as glass and plastic. The battery cells are designed to be powered and self-charged solely by moisture (humidity). Moisture from humidity in the air and graphene oxide are a readily available, environmentally friendly source of energy compared to alternatives such as lithium based battery technologies.

The Battery Ink is being developed by integrating significant existing ink formulation and printed electronics intellectual property from the Company's Nanocube Memory Ink technology with an advanced graphene oxide material.

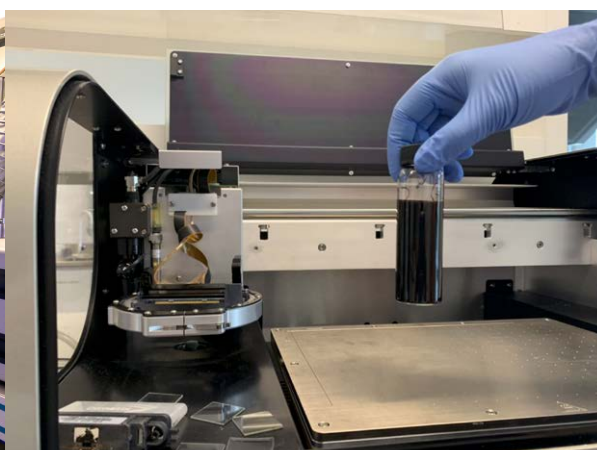
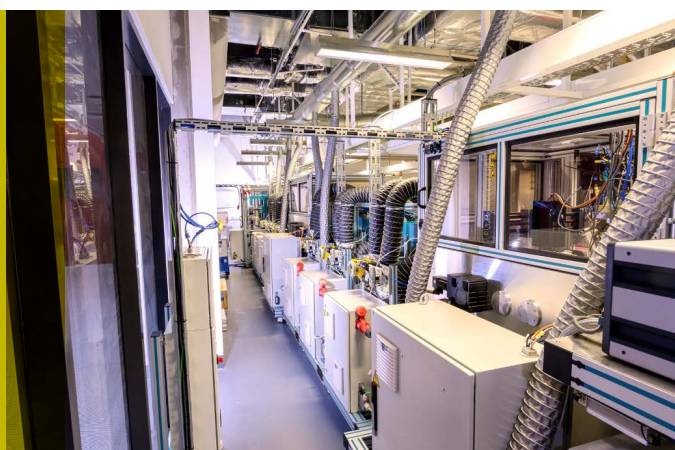
“One of the biggest environmental problems caused by our endless hunger for the latest and smartest devices is a growing mineral crisis, particularly those needed to make our batteries” – Christina Valimaki, Elsevier

Environmental Technology Aspects

Harvesting green energy from the environment plays a vital role in the development of future energy supply. Moisture, one of the most abundant green energy sources, remains to be utilized for energy harvesting and conversion from thermal energy to electricity. In addition the materials used in the battery ink technology are potentially environmental friendly unlike those used in traditional batteries.

Highly Skilled Team and Collaboration

The group at The University of New South Wales (UNSW) have developed deep experience in printed electronic inks, energy harvesting and storage over the past 10 years and are applying that experience in development of the Battery Ink technology. UNSW School of Materials Science and Engineering is ranked #1 in Australia for material science. The group has attracted over \$20M AUD in research funding. UNSW have a number of partnerships and collaborate with leading companies such as Boral, Hitachi Chemical, One Steel and many more. The Material Science and Research group at UNSW has world-class infrastructure and equipment geared towards advanced materials engineering and fabrication.



Initial Market Focus

The technology is being designed to be a hybrid electric generator - battery cell fabricated with a printable ink. The initial market focus remains on wearables and Internet of Things (IoT) related devices as they have lower energy output requirements such as cosmetic, pressure, environmental and health (e.g. diabetes or cardiovascular monitoring). Higher performance applications will require development of a capacitor for energy storage and regulation and will be focused on at a later date.

Skin patches are wearable products that have integrated electronic components such as sensors that are attached to the surface of the skin. Current solutions are still relatively bulky and require manual charging or replacement of battery cells. The higher humidity levels of the human skin make the electronic skin patch sector a natural fit to test the technology for real world applications. Battery Ink cells have strong potential to provide a flexible, light, self-recharging power source for electronic skin patches.



The Electronic Skin Patch sector produced USD 10 billion in revenue in 2019 and is forecast by IDTechx to grow to nearly USD 40 billion by 2030.¹ The global battery market for IOT is already significant with USD 8.7 billion in 2019 and is projected by MarketsandMarkets to grow to USD 15.9 billion by 2025.²

Alternative Energy Battery Development

The Company previously achieved a successful development milestone by scaling down the Battery Ink cells in size. Through scaling, more batteries can be assembled in the same space

leading to increased density of power output. Recent materials engineering successes have further enhanced the potential for an ongoing substantial increase in power output.

During the year, the self-charging battery technology achieved a number of significant milestones which included:

- Successful scale up of the battery ink by manufacturing a 1 litre batch size of Battery Ink with the capacity to produce 2000 battery cells.
- Successfully generating an output of over 4V from moisture in the air over a testing period of approx. 5 hours. This was achieved through development of a prototype battery pack containing multiple connected battery ink cells.
- Fabricated battery cells onto a flexible textile cloth and mechanically bent over 2000 times. This was a significant milestone as current battery technologies (alkaline, coin, lithium) are rigid and bulky and are not suitable for flexible electronics or in very small and thin devices.
- Successfully powering an IoT device equipped with both temperature and humidity sensors and onboard Bluetooth communication.

The Company is working towards a milestone that will mark the most significant demonstration of the technology's potential to date. The Company's previously announced goal is to print a prototype battery pack producing over a milliamp of electrical current solely from moisture (humidity). Achieving milliamp range is recognised as a significant achievement in battery technology development as it dramatically expands the range of devices a battery can potentially power.

The Company is working towards a milestone that will mark the most significant demonstration of the technology's potential to date. The Company's previously announced goal is to print a prototype battery pack producing over a milliamp of electrical current solely from moisture (humidity). Achieving milliamp range is recognised as a significant achievement in battery technology development as it dramatically expands the range of devices a battery can potentially power.

Transparent Flexible Memory Technology

The Nanocube Memory Ink is a transparent ink containing billions of nanometre scale particles. When printed onto a glass or plastic surface and assembled with electrodes they operate as computer memory. The Nanocube technology is based on a new type of resistive random-access memory (RRAM) using tiny metal oxide Nanocubes invented in Australia by the University of New South Wales.

Memory is largest traditional sector

The memory component is the heart of all electronics and is the largest sector of the traditional silicon semiconductor sector. Even though Printed Electronics is experiencing significant growth, it is being held back by lack of ongoing development of printed memory. Printed, flexible and organic electronics is forecast by IDtechX to grow from \$31.7 Billion in 2018 to \$77.3 billion in 2029.³

World Leading Development Team

- UNSW is globally recognised as a leading research institution in Materials Science and Engineering. Dr Chu, co-inventor, is recognised for his contribution to oxide nanoelectronics, including RRAM and TFT.
- Research and development work in collaboration with teams from VTT Finland. Recognised global leader in development and production of printed electronics.
- AAM is also a member of PrintoCent a select consortium of approx 40 global printed electronics companies. Participation in potential end customer collaborations and networking with large global companies.

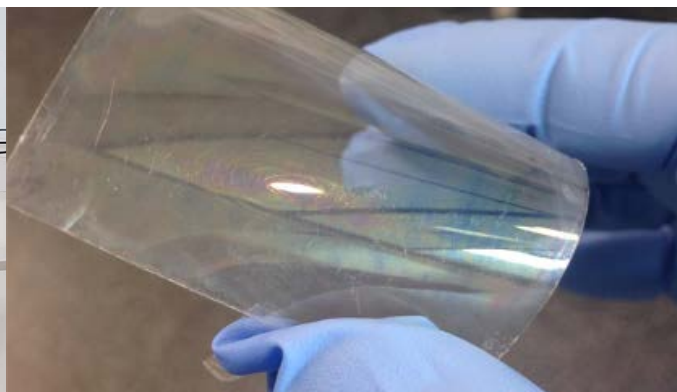
The Nanocube technology was hand-picked to be one of only approximately twenty technologies to demonstrate at the world's premier Printed Electronics event 'IDtechEX' in Berlin 2020.

Federal Gov Funded Collaboration

During 2020, AAM formed a collaborative Project with the University of New South Wales to develop new electronic materials for a wide range of uses in flexible electronics and significant advances in energy efficient data storage devices. This include memory, all types of sensors, batteries and other flexible electronics.

The Project won significant funding from the Australian Federal Government. Funding will be used to significantly enhance the Nanocube printable memory technology owned by AAM. The budget for the collaborative Project secured was \$1,069,000 over a 3 year period. The ARC Linkage funding dramatically reduced the overall cash contribution required from AAM and secured resources at UNSW and CSIRO.

The Nanocube Memory has been continually developed by the Company and the University of New South Wales during the year. A one megabit demonstrator is under development, however the rapid success of the Battery Ink led the Company to divert some resources away from the Nanocube Memory and deploy them to escalate the Battery Ink development. The Company is in discussion with potential overseas development partners that may be able to conduct certain aspects of the Nanocube Memory development to supplement the existing team.



Powerful new automation technologies such as machine learning, artificial intelligence (AI) and advanced robotics are starting to transform the global economy.

The Company has developed a **mobile** automation and robotics platform and is deploying it across multiple sectors.



AxV Automation and Robotics Platform

The Company's wholly owned venture, Stealth Technologies Pty Ltd ("Stealth") is developing an automation and robotics platform (AxV Platform) to automate tasks currently performed manually by humans or semi-autonomously by machines. Stealth has an experienced in-house team of international award winning PhD and Masters qualified research engineers with deep capabilities in artificial intelligence, computer vision and robotics (hardware and software). During the year, Stealth achieved a number of important milestones which have proven the team's commitment to technical innovation and ability to commercially deliver to high standard.

AxV Automation and Robotics Platform – Security Sector

Stealth Technologies has developed the first 'Autonomous Security Vehicle' (ASV) of its kind anywhere in the world. The ASV is designed to automate perimeter security and will be deployed to increase the security of the perimeter and reduce human involvement in testing and patrols.

The global perimeter security market is forecast reach USD 282.26 Billion by 2025.⁴

ASV Features

1. Autonomous Perimeter Security Patrol & Surveillance

- 24/7 365 Day Operational Capability – Day and Night Vision
- Collision Avoidance System
- Autonomous Navigation Between Map Points
- Emergency Braking System
- Imposing Physical Presence

2. Autonomous Perimeter Intrusion Detection System Testing

- Perimeter fence sensor testing – Microphonic and Fibre Optic (Purpose Built Robotic Actuators)
- Microwave sensor testing
- Photo electric sensor testing (PE)
- Electro magnetic sensor testing (EM)

3. On Board Surveillance Features

- Autonomous Object Tracking System
- Incident Alert Lighting
- Live Military Grade Video Feed
- High Definition 30x Camera Zoom
- Day and Night Vision Surveillance Distance: 400m
- Two-Way Intercom

4. System Integration

- Fully Integrated Into Honeywell's EBI Platform and DVM Platform
- Capable of Operating within Secure Isolated Networks
- Capable of Advanced Computer Vision – Facial and Number Plate Recognition

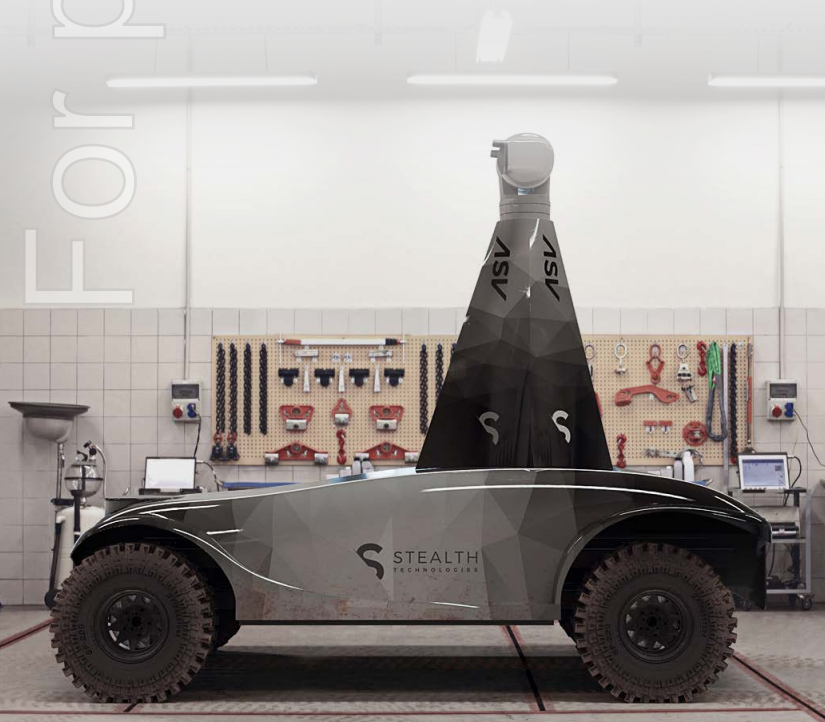
5. Fully Electric

- Lithium ion batteries
- 8hrs drive time
- Fast charging

6. Outdoor Terrain and Conditions

- IP Rating 67
- Heat – 50 degrees celcius (ambient)
- Water
- Dust
- Variable Terrain

For personal use only



Honeywell Agreement – Correctional Security Sector Collaboration

The Company has been collaborating with global Fortune 100 software-industrial company 'Honeywell' to build autonomous security vehicles for the correctional sector.

Recent focus has been on achieving Site Acceptance Testing of the Autonomous Security Vehicle (ASV) developed for the Western Australian Department of Justice at the Eastern Goldfields Regional Prison. Stealth developed custom robotics built on top of its AxV autonomous mobile platform to develop the first 'Autonomous Security Vehicle' of its kind anywhere in the world. Site Acceptance Testing saw the ASV seamlessly integrated into the prison's security management platform and navigate pre-defined missions to test all aspects of the interior and exterior perimeter.

Testing of the perimeter is aided by a robotic actuator that extends out of the vehicle and simulates cutting or climbing of the fence. Surveillance is provided by a military grade camera that provides 360-degree high definition video surveillance. The ASV reports back in real time to the Honeywell Security Manager System via Enterprise Buildings Integrator (EBI). Communication includes testing outcomes, mission status, ASV diagnostics, surveillance and admin via the Patrol Control Centre.

With SAT achieved and the ASV successfully deployed, the parties have been active in negotiating a new agreement to further develop and commercialise the ASV.

Activities External to Honeywell Agreement

The Company has also been conducting ongoing discussions with potential pilot deployments for the ASV and the AxV Platform (autonomous technologies and robotics) in defence, security, agriculture, mining and other areas outside the correctional sector. The Company is seeking to work closely with early adopters to deeply understand their use cases, solve their specific problems and continuously upgrade and improve the technology.



Autonomous Platform in Defence Sector

Stealth Technologies next generation AxV Autonomous Platform is being upgraded with a 'sensor fusion stack' that includes additional sensors such as LiDAR, radar, GPS, sonar, thermal imaging and different types of cameras, with each sensor adding different strengths to the fusion data generated. New autonomous releases are being designed for use in various sectors.

The Company has transitioned its AxV Platform into the defence sector and is designing and delivering an autonomous drone carrying vehicle that automates detection and sensing of chemical, biological, radiological and nuclear agents.

The autonomous vehicle will carry drones and sensors into a target environment keeping humans at a safe distance. The autonomous drone will enable rapid traversing of the target area using sensors to map and/or monitor the location of chemical, biological, radiological and nuclear (CBRN) sources.

***'CBRN defence is undergoing a global transformation as it adapts to the challenge of multi-threat scenarios. Modern forces need to be equipped to operate within chemical, biological, radiological and nuclear and toxic industrial material threat environments.'* – Vice Chief of Defence Force Directive**

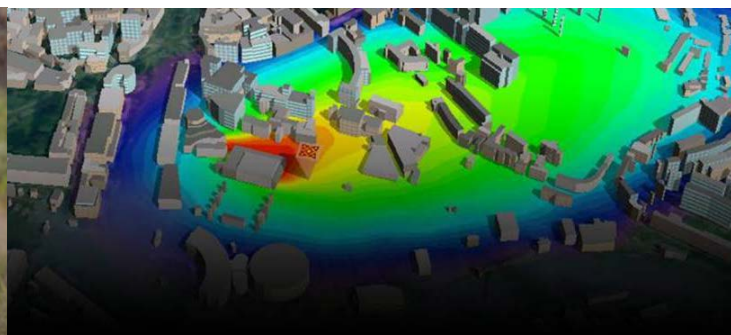
Collaborations

The Company is collaborating with Defence Science Technology Group (DSTG), part of the Australian Department of Defence, and the University of Western Australia to build the solution and conduct a live demonstration to Army. DSTG and the Western Australian Defence Science centre have committed to providing \$500,000 in cash and in kind resources.

The Sensor Fusion stack will also include integration with ongoing collaborative work with Planck AeroSystems enabling Autonomous Drones to launch and land autonomous surveillance flights from a moving ASV platform. Planck is a global leader working with the United States Department of Defence's Combating Terrorism Technical Support Office (CTTSO), the United States Department of Defence and Department of Homeland Security on various aspects of its technology.

In addition, CSIRO Wildcat SLAM technology will also be integrated with a new Sensor Fusion stack. The Company has licensed world leading CSIRO technology that enables robots to work together in teams. The Wildcat SLAM technology leverages more than ten years of research and development at CSIRO's Data61. Wildcat is a key enabling technology in 'robot perception', a system that endows the robot with the ability to perceive, comprehend and reason about the surrounding environment.

The vehicle developed will further expand the technical capability of the AxV platform beyond the security sector and provide a strong use case the Stealth to mature the platform capabilities and extend to further use cases in additional sectors.



Autonomous Platform in Agriculture Sector

Stealth Technologies also expanded the AxV custom robotics platform for use within the agriculture sector. The need for excessive use of chemicals and production loss costs due to weeds are significant issues for the global agricultural industry. Production losses are estimated in the tens of billions and weeds are becoming increasingly herbicide resistant.

Available advanced weed detection technologies typically use RGB cameras and different forms of imaging that distinguish weeds and crops via colour. This has serious limitations in broadacre cropping where weeds are often the same colour as crops.

The Company is taking a different approach by leveraging the sophisticated sensor, mapping and localisation technology already built and used in its Autonomous Security Vehicle collaboration with US Fortune 100 Company 'Honeywell'.

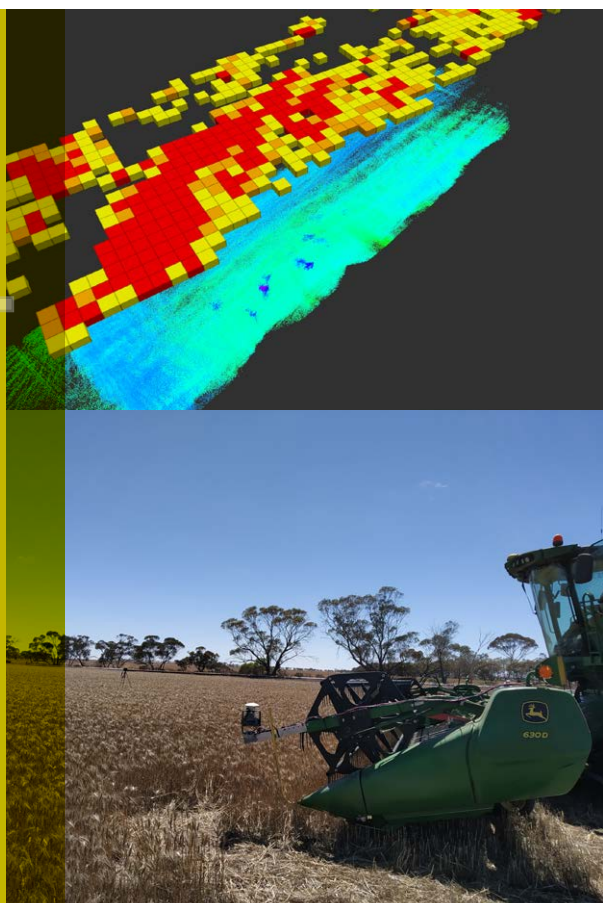
The Company is developing technology that will automate the capture and integration of multiple forms of data (LIDAR, GPS, IMU and High Definition Cameras) to produce 3D location maps of agricultural weeds. 3D Mapping of agricultural weeds with highly accurate georeferenced coordinates will enable farmers to target them much more effectively by applying modern agronomy to weed management.

The Company is collaborating with the Australian Herbicide Resistance Initiative (AHRI), who are leading global researchers in herbicide resistance and its management in cropping systems, and the University of Western Australia School of Agriculture and Environment (UWA). The collaboration has strong relationships with potential end users (farmers) who will assist with field testing and provide direct feedback into potential development of a commercial solution.

The estimated cost of weeds in Australian cropping systems alone is at AUD\$3.3 billion annually. Total annual cost of weeds in the United States are estimated at \$US34.5 billion.⁵

The value proposition for Stealth is to deploy this technology to farms around the world where large-scale crop farming exists. This includes not just crops such as wheat and barley but could be extended to corn, canola, and other large-scale crop types. The usage of this technology together with agronomic techniques that can leverage weed location knowledge, could dramatically decrease herbicide input costs to farming whilst maximising crop yields making farming more efficient and profitable for farmers; while at the same time being more environmentally friendly.

Aspects of the recently upgraded technology is to be included into an expanded trial to be conducted in November 2021. This program will see up to 10 farms utilise the Stealth technology solution during the harvesting season.



Innovation in Mineral Exploration

The Company has two wholly owned subsidiaries focused on innovation related to mineral exploration. The Company is particularly interested in minerals used in critical high technology sectors such as rare earths, lithium, copper, gold, and nickel.

Strategic Materials Pty Ltd

100% owned Strategic Materials Pty Ltd holds permits over the entire historic Golden Blocks Mines permit in New Zealand. The Company is attracted to applying modern technology to a historic goldfield that has been left completely untouched by modern exploration.

Technical papers show the structural similarities of the Golden Blocks goldfield and the Reefton goldfield. One of the mines (Aorangi) produced 26,000oz of gold at a recovered grade of 36g/t and an estimated inset grade of 59g/t, making it one of the highest-grade producing gold mines in New Zealand.

Mining within the Golden Blocks goldfield prematurely ceased in 1914 due to the war, water containment challenges and labour shortages. Unlike other mines in New Zealand and Australia, which had substantial development work with modern technology after the war, the Golden Blocks goldfield remained privately owned and completely untouched.

Strategic Materials is assessing numerous emerging technologies for use at Golden Blocks which have little to no impact on the environment. Examples of this include: a) the use of LIDAR to conduct detailed mapping of the site including vegetation, mining tracks, terrain and mine entry points; b) the use of drones to conduct underground mapping of adits, stopes, underground sampling points and underground geology; and c) enhancing data collection from drilling programs that target geology, minerals and geophysical profiles of the target rocks.

With a strong internal cross pollination of technical resources within the Group, Strategic Materials is in front of many resources companies by having the capability to deploy technology to reduce impacts on the environment during exploration and mining.

During the year, Strategic Materials has worked with environmental consultants to study the impacts of exploration, specifically drilling and continued to consult with local affected parties including New Zealand regulatory bodies.

Maria Resources Pty Ltd

Maria Resources has been collaborating with Dr Franco Pirajno on applying new geological models to unexplored terrains. During the year Maria Resources has worked with consultants to model the Leviathan Project and surrounding area. The Leviathan gravity anomaly has no previous exploration as it was not visible until new gravity data became available in late 2019. The anomaly is surrounded by a suspected field of up to 100 volcanic pipes reported by Gunson Resources and DeBeers in 2003.

Maria Resources is investigating the Leviathan project for copper-gold-rare earths mineralisation related to volcano-intrusive complexes. Maria Resources is the recipient of an WA Govt. Exploration Incentive Scheme (EIS) for the Leviathan project. The EIS grant provides for \$150,000 in matched funding to be utilised toward drilling costs at Leviathan. **Maria Resources is currently reviewing technical aspects of the program before committing to drilling.**

Corporate

On 3 November 2020, the Company raised \$5,100,000 before issue costs through a share purchase plan issuing 85,000,000 shares at an issue price of 6 cents per share.

On 23 April 2021, the Company completed an institutional placement raising \$3,000,000 before issue costs by issuing 10,000,000 shares at an issue price of 30 cents per share. Under the terms of the placement, the Company also issued 3,000,000 unlisted options for nil consideration with an exercise price of 40 cents and an expiry date of 23 April 2023.

All funds raised will be used to advance existing 100% owned businesses and fund new potential opportunities.

During the year, the Company also issued 7,000,000 shares to Directors on the conversion of Performance Rights granted previously.

Operating result for the year

As the Group is in the research and development stage it only generates minor revenues. The Group's loss for the year ended 30 June

2021 was \$2,356,797 (year ended 30 June 2020: \$2,547,826). The loss mainly reflects the research and development activities of the

Group as well as administration costs.

Review of financial condition

At 30 June 2021, the Group had \$7,925,403 in cash and cash equivalents and term deposit investments (30 June 2020: \$2,310,149).

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the year.

Significant events after balance date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the Group up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations has been made in the Review of Operations.

Environmental legislation

With respect to its environmental obligations regarding its exploration activities the Group endeavours to ensure that it complies with all regulations when carrying out any exploration and evaluation activities and is not aware of any environmental legislation breach at this time.

Indemnification and insurance of Directors and Officers

The Company has entered into Director and Officer Protection Deeds ("Deed") with each Director and the Company Secretary ("Officers"). Under the Deed, the Company indemnifies the relevant Officer to the maximum extent permitted by law against legal proceedings and any damage or loss incurred in connection with the Officer being an officer of the Company. The Company has paid insurance premiums to insure the Officers against liability arising from any claim against the Officers in their capacity as officers of the Company.

¹ Electronic Skin Patches 2020-2030, IDTechEx, 2020

² Battery Market for IoT, MarketandMarkets, 2020

³ Flexible, Printed and Organic Electronics 2019-2029, IDTechEx, 2019

⁴ Global Perimeter Security Market, DataIntel, 2019

⁵ Annual Costs of Weeds in Australia, Centre for Invasive Species Solutions, 2018

Directors

Your directors have pleasure in submitting their report, together with the financial statements on the consolidated entity (referred to hereafter as the "consolidated entity" or the "Group") consisting of Strategic Elements Limited (referred to hereafter as the "Company" or "Strategic Elements") and the entities it controlled at the end of, or during the year ended 30 June 2021.

The names of directors who held office during or since the end of the financial year and until the date of this report are as follows:

Charles Murphy **Managing Director &** **Acting Chairman**

Mr Murphy led the Company's registration as a Pooled Development Fund.

Mr Murphy has significant experience as an advisor to resources and technology companies on IP development, strategy, business development, transaction structuring and capital raising. Mr Murphy is a qualified responsible Fund Manager and has a Masters Degree in Business Administration (MBA). Mr Murphy is not currently a director of any other Australian listed company and has not held any other directorships in listed companies during the last 3 years.

Mr Murphy was appointed to the board in October 2006 and as acting Chairman from September 2015.

Number of fully paid ordinary shares: 8,250,000
Performance Rights: 750,000

Matthew Howard **Executive Director and** **Company Secretary**

Mr Howard has consulted to some of the largest financial institutions including Goldman Sachs, JB Were, Macquarie Bank, ANZ Bank and National Australia Bank.

Mr Howard has helped close numerous large technology transactions with some of the largest US technology companies including Oracle, Sybase and BEA Systems. Mr Howard has a combined Business and Information Technology Bachelor Degree, a Masters Degree in Applied Finance and a postgraduate qualification in Corporate Governance.

Mr Howard is not currently a director of any other Australian listed company and has not held any other directorships in listed companies during the last 3 years. Mr Howard was appointed to the board in December 2008.

Number of fully paid ordinary shares: 6,342,526
Performance Rights: 750,000

Elliot Nicholls **Executive Director**

Mr Nicholls has worked in corporate advisory focusing on financial analysis and business model development.

Mr Nicholls has a Bachelor of Electronic Engineering with First Class Honours and a Bachelor of Commerce (Finance) from The University of Western Australia. Mr Nicholls is not currently a director of any other Australian listed company and has not held any other directorships in listed companies during the last 3 years. Mr Nicholls was appointed to the board in January 2009.

Number of fully paid ordinary shares: 7,163,334
Performance Rights: –

Directors were in office for this entire period.

Interests in the shares and options of the Company and related bodies corporate

There are no unissued ordinary shares under options issued to employees/consultants of the Company as at the date of this report.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal activities

The Company is a registered Pooled Development Fund (PDF).

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for the key management personnel ("KMP") of Strategic Elements Limited (the "Company") for the financial year ended 30 June 2021. The information provided in this remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001. The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent Company.

Key Management Personnel

- Charles Murphy (Managing Director & Acting Chairman)
- Howard (Executive Director)
- Elliot Nicholls (Executive Director)

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Committee

The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company and considers it more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The maximum aggregate payable to nonexecutive directors approved by shareholders is \$100,000 per annum.

Director and executive remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary. No advice has been obtained during the year. Directors and executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company. The fixed remuneration component of the most highly remunerated Company directors and executives is detailed in Table 1 in this report.

Variable remuneration

The objective of the short-term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short-term incentive available is to be set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances. Actual payments may be granted to each executive dependent on the extent to which specific operating targets set at the beginning of the financial year are met. The Company may also make payments to reward senior executives in a manner that aligns remuneration with the creation of shareholder wealth.

Employee Share Option Plan and Performance Rights Plan

Under the terms of the Company's employee incentive plans (the Plans), the Board may offer options or performance rights to Eligible Persons or Directors of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in future and other factors the Board considers relevant. Upon receipt of such an offer, the Eligible Person may nominate an associate to be issued with the options or performance rights. The maximum number of options or performance rights to be issued under the Plans at any one time is 5% of the total number of shares on issue in the Company provided that the Board may increase this percentage, subject to the Corporations Act 2001 and the ASX listing rules. The Company does not have a policy for key management personnel to hedge their equity positions against future losses.

Executive Service Agreements

Mr Murphy, Nicholls and Howard comprise three of the five full-time staff of Strategic Elements and provide services such as ASX company secretarial, technical development, business development,

corporate, marketing, project management whilst managing teams of consultants across various projects and fulfilling board positions to four subsidiary companies. The Company has entered into Executive Service agreements with the following directors:

Mr Charles Murphy – Managing Director & Acting Chairman

Under the agreement the Company will pay up to a maximum of \$282,000 per annum (exclusive of GST) in return for executive services and will provide reimbursement for all reasonable travel, accommodation and general expenses. Payments are inclusive of superannuation. Termination by the Company is no less than a 3 month notice period by either party or by paying the aggregate of amounts which, but for such termination, would otherwise have been paid. In addition to this a 3 month termination payment will be paid.

Mr Matthew Howard – Director

Under the agreement the Company will pay up to a maximum of \$212,000 per annum (exclusive of GST) in return for executive services and will provide reimbursement for all reasonable travel, accommodation and general expenses. Payments are inclusive of superannuation. Termination by the Company is no less than a 3 month notice period by either party or by paying the aggregate of amounts which, but for such termination, would otherwise have been paid. In addition to this a 3 month termination payment will be paid.

Mr Elliot Nicholls – Director

Under the agreement the Company will pay up to a maximum of \$212,000 per annum (exclusive of GST), in return for executive services and will provide reimbursement for all reasonable travel, accommodation and general expenses. Payments are inclusive of superannuation. Termination by the Company is no less than a 3 month notice period by either party or by paying the aggregate of amounts which, but for such termination, would otherwise have been paid. In addition to this a 3 month termination payment will be paid.

Remuneration Report (Audited) (continued)

Table 1: Remuneration of key management personnel (KMP) for the year ended 30 June 2021 and the year ended 30 June 2020:

		Short-term employee benefits		Post-employment benefits	Equity		Total
		Fixed Salary & fees	Variable remuneration	Superannuation	Performance Rights Shares	Options	
Executive Directors							
Charles Murphy	2021	273,500	20,000	-	62,384	-	355,884
	2020	265,000	15,000	-	66,812	-	346,812
Matthew Howard	2021	203,500	20,000	-	62,384	-	285,884
	2020	195,000	15,000	-	66,812	-	276,812
Elliot Nicholls	2021	203,500	20,000	-	16,161	-	239,661
	2020	174,800	15,000	-	9,861	-	199,661
Total	2021	680,500	60,000	-	140,929	-	881,429
Total executive	2020	634,800	45,000	-	143,485	-	823,285

Share-based payments

Performance Rights

There were no Performance Rights issued during the year (2020: 8,500,000).

7,000,000 Performance Rights were converted to shares during the year (2020: nil).

The total expense recognised in the year for share-based payments is \$140,929 (2020: \$143,485).

No Performance Rights vested or expired during the year.

END OF REMUNERATION REPORT

Shares under option

Unissued shares of Strategic Elements Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number of options
23 April 2021	23 April 2023	\$0.40	3,000,000

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.

Directors' meetings

The directors meet regularly to discuss the matters of the Company and occupy the same office therefore decisions of the Company are frequently resolved via circular resolution. The Company aims however to have quarterly Board meetings. The directors met quarterly during the year.

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

Director	Board Meetings	
	Number of meetings eligible to attend	Number of meetings attended
Charles Murphy	4	4
Matthew Howard	4	4
Elliot Nicholls	4	4

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, Nexia Perth Audit Services Pty Ltd (Nexia Perth), to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 12 and forms part of this directors' report for the year ended 30 June 2021.

Non-Audit Services

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board.

Nexia Perth received, or were due to receive, the following amounts for the provision of services not related to the audit of the financial report:

Audit of Australian Financial Services Licence (AFSL) - \$3,500 (2020: \$3,500)

Signed in accordance with a resolution of the directors.



Charles Murphy
Managing Director
Perth WA, 20th August 2021

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Strategic Elements Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2021 there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen
Director

Perth
20 August 2021

**Nexia Perth
Audit Services Pty Ltd**
ACN 145 447 105
Level 3, 88 William Street
Perth WA 6000
GPO Box 2570, Perth WA 6001
p +61 8 9463 2463
f +61 8 9463 2499
e audit@nexiaperth.com.au
w nexia.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Nexia Perth Audit Services Pty Ltd is an independent firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd, deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes NEXIA) are not part of a worldwide partnership.

The trademarks NEXIA INTERNATIONAL, NEXIA and the NEXIA logo are owned by Nexia International Limited and used under licence.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Strategic Elements Limited

For the Year Ended 30 June 2021

		CONSOLIDATED	
		2021	2020
Continuing operations	Notes	\$	\$
Contract revenue	2(a)	127,000	94,500
Cost of sales of goods		(147,825)	(61,728)
Gross profit		(20,825)	32,772
Other income	2(b)	1,050,606	962,116
Depreciation	2(c)	(6,869)	(8,550)
Insurances		(55,316)	(62,218)
Marketing		(179,630)	(167,693)
Professional fees		(330,333)	(216,086)
Project development expenditure		(820,668)	(1,512,459)
Regulatory & compliance		(184,560)	(74,615)
Remuneration	23(b)	(740,500)	(679,800)
Other employees' costs		(664,907)	(495,432)
Rent & outgoings		(64,168)	(48,928)
Share-based payments	10, 23(b)	(140,929)	(143,485)
Other expenses		(200,287)	(154,066)
Operating loss		(2,358,386)	(2,568,444)
Foreign exchange losses		(888)	(4,607)
Interest received	2(a)	5,442	29,042
Interest expense	2(a)	(2,965)	(3,817)
Total finance income		1,589	20,618
Loss before income tax		(2,356,797)	(2,547,826)
Income tax expense	3	-	-
Loss for the year		(2,356,797)	(2,547,826)
Other comprehensive income			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
Total other comprehensive income		-	-
Total comprehensive loss		(2,356,797)	(2,547,826)
Basic and diluted loss per share (cents per share)	4	(0.68)	(0.96)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

Strategic Elements Limited

As at 30 June 2021

	Note	CONSOLIDATED	
		2021	2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	7,810,003	2,270,149
Trade and other receivables	6	189,003	111,270
Term deposit investments	7	115,400	40,000
Other current assets	8	63,073	39,366
Total current assets		8,177,479	2,460,785
Non-current assets			
Property, plant and equipment	9	68,279	23,368
Total non-current assets		68,279	23,368
Total assets		8,245,758	2,484,153
Liabilities			
Current liabilities			
Trade and other payables	11	450,930	203,674
Provisions	12	68,213	47,841
Total current liabilities		519,143	251,515
Total liabilities		519,143	251,515
Net assets		7,726,615	2,232,638
Equity			
Issued capital	14	23,938,688	15,970,451
Share-based payments reserve	15	26,022	143,485
Accumulated losses	16	(16,238,095)	(13,881,298)
Total equity		7,726,615	2,232,638

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

Strategic Elements Limited

For the Year Ended at June 2021

	Notes	Issued capital \$	Accumulated losses \$	Share-based payments reserve \$	Total \$
Consolidated					
Balance at 1 July 2019		13,636,731	(11,333,472)	-	2,303,259
Loss for the year		-	(2,547,826)	-	(2,547,826)
Total comprehensive loss for the year		-	(2,547,826)	-	(2,547,826)
Issues of shares for cash	14	2,348,000	-	-	2,348,000
Share issue costs	14	(14,280)	-	-	(14,280)
Share-based payments	10	-	-	143,485	143,485
Balance at 30 June 2020		15,970,451	(13,881,298)	143,485	2,232,638
Balance at 1 July 2020		15,970,451	(13,881,298)	143,485	2,232,638
Loss for the year		-	(2,356,797)	-	(2,356,797)
Total comprehensive loss for the year		-	(2,356,797)	-	(2,356,797)
Issues of shares for cash	14	8,099,981	-	-	8,099,981
Share issue costs	14	(390,136)	-	-	(390,136)
Conversion of PRs for shares	14, 15	258,392	-	(258,392)	-
Share-based payments	10, 15	-	-	140,929	140,929
Balance at 30 June 2021		23,938,688	(16,238,095)	26,022	7,726,615

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

Strategic Elements Limited

For the Year Ended at June 2021

		CONSOLIDATED	
	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		133,932	244,500
Receipts from government grants/incentives		1,043,147	751,142
Payments to suppliers		(957,121)	(732,368)
Payments to directors & employees		(1,253,758)	(1,143,045)
Payments for project development		(984,950)	(1,508,877)
Payments for leases		(31,125)	(45,962)
Interest received		5,481	28,990
Interest paid		(4,286)	(3,817)
Net cash used in operating activities	5	(2,048,680)	(2,409,437)
Cash flows from investing activities			
Transfer to term deposit investment		(75,400)	(40,000)
Payments for property, plant and equipment		(45,911)	-
Net cash used in investing activities		(121,311)	(40,000)
Cash flows from financing activities			
Proceeds from the issue of shares		8,099,981	2,348,000
Payments for costs of issue of shares		(390,136)	(14,280)
Net cash from investing activities		7,709,845	2,333,720
Net increase/(decrease) in cash and cash equivalents		5,539,854	(115,717)
Cash and cash equivalents at beginning of the year		2,270,149	2,390,475
Effects of exchange rate changes on cash and cash equivalents		-	(4,609)
Cash and cash equivalents at end of the year	5	7,810,003	2,270,149

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 1. Statement of Significant Accounting Policies

a. Basis of compliance and preparation

The Company is a listed Pooled Development Fund (PDF), incorporated in Australia and operating in Australia and New Zealand.

The Company's principal activity is a Pooled Development Fund.

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards issued by the Australian Accounting Standards Board.

The financial report complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

The accounting policies detailed below have been consistently applied to all of the years presented. The consolidated financial statements of the Company as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Group" or the "consolidated entity" and individually as "Group entities"). The financial report was authorised for issue on 20th August 2021.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars which is the consolidated entity's functional currency.

b. Application of new and revised International Financial Reporting Standards (AASBs)

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

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

c. New Accounting Standards and Interpretations not yet mandatory or early adopted

The Group has reviewed the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2021. As a result of this review the Group has determined that there is no significant impact of the Standards and Interpretations in issue not yet adopted on the Group; therefore, no change is necessary to the Group's accounting policies.

d. Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based upon historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate valuation model and is based on the terms and conditions upon which the instruments were granted.

Coronavirus (COVID-19) pandemic

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

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 1. Statement of Significant Accounting Policies (continued)

e. Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Strategic Elements Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Strategic Elements Limited and its subsidiaries are referred to in this financial report as the Group or the consolidated entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

f. Revenue and other income

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Contract revenue

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Note 1. Statement of Significant Accounting Policies (continued)

f. Revenue and other income (continued)

Research and development refund

R&D refunds are a tax offset under the R&D tax incentive recognised on receipt of funds from the Australian Taxation Office for research and development expenditure incurred in the previous financial year. They are presented in the statement of profit and loss and other comprehensive income as other income.

Grant funding

Cash Boost, Jobkeeper and Exploration Incentive Scheme grants are recognised where there is reasonable assurance that the entity will comply with the conditions attached to the grants and that the grants will be received.

Other income

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

g. Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred tax liability arises from the initial recognition of goodwill or of 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 profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 1. Statement of Significant Accounting Policies (continued)

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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

h. Cash and cash equivalents

Cash includes cash on hand and at call and deposits with banks or financial institutions and investments in money market instruments which are readily convertible to cash and used in the cash management function on a day to day basis, net of bank overdraft.

i. Project development expenditure

Exploration and evaluation

Project development costs, excluding the costs of acquiring tenements and permits, are expensed as incurred.

Acquisition costs will be assessed on a case by case basis and, if appropriate, they will be capitalised. These acquisition costs are carried forward only if the rights to tenure of the area of interest are current and either:

- They are expected to be recouped through successful development and exploitation of the area of interest, or
- The activities in the area of interest at the reporting date have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest, are continuing.

Accumulated acquisition costs in relation to an abandoned area are written off in full against profit/(loss) in the year in which the decision to abandon the area is made.

The carrying values of acquisition costs are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Note 1. Statement of Significant Accounting Policies (continued)

j. Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

k. Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

l. 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

m. Share-based payment transactions

Equity settled transactions:

The Group may provide benefits to Officers and Directors in the form of share-based payments, whereby services are rendered in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options granted is determined using an appropriate valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Strategic Elements Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of profit or loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

Note 1. Statement of Significant Accounting Policies (continued)

m. Share-based payment transactions (continued)

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of loss per share (see Note 4).

n. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

Office equipment – 2.5 to 15 years

Computer equipment – 2.5 to 4 years

Research equipment – 4 years

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

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of profit or loss and other comprehensive income in the other expenses line item.

(ii) De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

Note 1. Statement of Significant Accounting Policies (continued)

o. Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and 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 period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

p. Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

q. Earnings per share

Basic earnings per share is calculated as net profit/loss, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

r. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Strategic Elements Limited.

s. Parent entity financial information

The financial information for the parent entity, Strategic Elements Limited, disclosed in Note 21 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Strategic Elements Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Note 2. Revenue and Expenses

		CONSOLIDATED	
		2021	2020
		\$	\$
(a) Revenue from contracts with customers			
Sale of goods		102,000	64,500
Rendering of services		25,000	30,000
		127,000	94,500
(b) Other income			
Research and development tax offset		942,674	543,947
Cash flow boost Covid-19		-	79,668
Job keeper grant		42,000	36,000
Tenement invest		-	150,000
Drilling grant		-	150,000
Sundry income		65,932	2,501
		1,050,606	962,116
Revenue		1,177,606	1,056,616
Bank interest received and receivable		5,442	29,042
Bank interest paid and payable		(2,965)	(3,817)
		2,477	25,225
(c) Expenses			
Depreciation of non-current assets		6,869	8,550

Disaggregation of revenue

Sale of goods comprised of an Autonomous Security Vehicle (ASV) \$102,000 (2020: \$64,500) sold within Australia whereby goods were transferred at a point in time.

Rendering of services comprised of the provision consulting services of \$25,000 (2020: \$30,000) provided within Australia whereby services were transferred over time.

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 3. Income Tax

	CONSOLIDATED	
	2021	2020
Reconciliation of tax expense to statutory tax:	\$	\$
Loss for the year	(2,356,797)	(2,547,826)
Tax benefit at the applicable tax rate of 26.00% (2020: 27.50%)	(612,767)	(700,652)
s.40-880 expenses	(12,214)	(4,854)
Permanent differences	56,081	(21,909)
Change in temporary differences	48,583	1,304
Difference in tax rate of Parent Company taxed at 25% due to Pooled Development Status	11,440	18,668
Underprovision/(overprovision) of prior year tax losses	199,903	466,902
Unrecognised tax losses	308,974	240,541
Tax expense reported in statement of profit and loss and other comprehensive income	-	-
Unrecognised deferred tax assets:		
Carried forward tax losses	2,232,066	1,723,189
Temporary differences	48,583	1,304
Components of deferred tax		
Accrued income	27,286	(3,300)
Prepayments	(5,840)	(4,727)
Accruals	21,242	2,395
Provisions	5,895	6,936
Tax Losses	2,232,066	1,723,189
Unrecognised deferred tax assets	(2,280,649)	(1,724,493)
	-	-

The potential deferred tax benefit of tax losses has not been recognised as an asset because recovery of tax losses is not considered probable in the context of AASB 112 Income taxes. The benefit of these tax losses will only be realised if:

- The Group entities derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;
- The Group entities comply with the conditions for deductibility imposed by the law; and
- No changes in tax legislation adversely affect the Group entities in realising the benefit from the deduction for the loss.

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 4. Loss Per Share

	CONSOLIDATED	
	2021	2020
	Cents per share	Cents per share

Basic loss per share from continuing operations	(0.68)	(0.96)
---	--------	--------

Basic loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

- Loss (\$)	(2,356,797)	(2,547,826)
- Weighted average number of ordinary shares (number)	348,763,453	264,899,037

Diluted loss per share

Diluted loss per share has not been calculated as the result is anti-dilutive in nature.

Note 5. Cash and Cash Equivalents

	CONSOLIDATED	
	2021	2020
	\$	\$
Cash at bank and on hand	7,810,003	2,270,149
	7,810,003	2,270,149

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 5. Cash and Cash Equivalents (continued)

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related item in the statement of financial position as noted below.

Reconciliation of loss for the year to net cash flows from operating activities:

	CONSOLIDATED	
	2021	2020
	\$	\$
Loss from ordinary activities after income tax	(2,356,797)	(2,547,826)
Depreciation	6,869	8,550
Foreign exchange losses	-	4,607
Share-based payments	140,929	143,485
Changes in working capital:		
(Increase)/decrease in other receivables	(77,733)	(69,310)
(Increase)/decrease in other assets	(23,706)	(16,246)
(Decrease)/increase in trade creditors and accruals	241,386	41,138
(Decrease)/increase in provisions	20,372	26,165
Cash flows from operations	(2,048,680)	(2,409,437)

Note 6. Trade and Other Receivables

	CONSOLIDATED	
	2021	2020
	\$	\$
Interest receivable	28	52
Government grants available	-	58,473
Sundry receivable	64,900	-
GST recoverable	124,075	52,745
	189,003	111,270

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 7. Term Deposit Investments

	CONSOLIDATED	
	2021	2020
	\$	\$
Term deposit	115,400	40,000
	115,400	40,000

The term deposit investments have a term of 12 months and attract an interest rate of 0.25%.

Note 8. Other Current Assets

	CONSOLIDATED	
	2021	2020
	\$	\$
Prepayments	62,386	38,679
Other current assets	687	687
	63,073	39,366

Notes to the Consolidated Financial Statements 30 June 2021

Strategic Elements Limited

Note 9. Property, Plant and Equipment

	Research equipment	Office equipment	Computer equipment	Total
Consolidated	\$	\$	\$	\$
At 30 June 2021				
Cost	38,290	38,308	38,257	114,855
Accumulated depreciation	(2,427)	(19,024)	(25,125)	(46,576)
At 30 June 2021 net of accumulated depreciation	35,863	19,284	13,132	68,279
At 30 June 2020				
Cost	-	38,308	24,767	63,075
Accumulated depreciation	-	(15,377)	(24,330)	(39,707)
At 30 June 2020 net of accumulated depreciation	-	22,931	437	23,368

	Research equipment	Office equipment	Computer equipment	Total
Consolidated	\$	\$	\$	\$
Year ended 30 June 2021				
At 1 July 2020 net of accumulated depreciation	-	22,931	437	23,368
Additions	38,290	-	13,490	51,780
Depreciation charge for the year	(2,427)	(3,647)	(795)	(6,869)
At 30 June 2021 net of accumulated depreciation	35,863	19,284	13,132	68,279
Year ended 30 June 2020				
At 1 July 2019 net of accumulated depreciation	-	26,594	5,324	31,918
Additions	-	-	-	-
Depreciation charge for the year	-	(3,663)	(4,887)	(8,550)
At 30 June 2020 net of accumulated depreciation	-	22,931	437	23,368

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 10. Share Based Payments

	2021	2020
	\$	\$
Performance rights	140,929	143,485
	140,929	143,485

Performance rights

During the year 7,000,000 Performance Rights previously issued to Directors, were converted to shares.

None of the Performance Rights expired during the year.

The total expense recognised in the year for share-based payments is \$140,929 (2020: \$143,485).

1,500,000 Performance Rights were on issue at the end of the year.

	2021	2020
Performance Rights	No.	No.
Outstanding at the beginning of the year	8,500,000	-
Granted during the year	-	8,500,000
Converted during the year	(7,000,000)	-
Lapsed during the year	-	-
Outstanding at the end of the year	1,500,000	8,500,000
Vested at the end of the year	1,500,000	-

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 11. Trade and Other Payables

	CONSOLIDATED	
	2021	2020
	\$	\$
Trade payables (i)	314,050	145,977
Accrued expenses	136,880	57,697
	450,930	203,674

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms with the exception of insurance premiums of \$26,880 (2020: \$21,314) which are payable in monthly instalments at a flat interest rate of 6.85%. The final instalment is due 15 January 2022.

Note 12. Provisions

	CONSOLIDATED	
	2021	2020
	\$	\$
Provision for annual leave	68,213	47,841
	68,213	47,841

Note 13. Remuneration of Auditors

	CONSOLIDATED	
	2021	2020
	\$	\$
Amounts received & receivable by the auditor:		
Nexia Perth Audit Services Pty Ltd		
- audit of the financial report of the Group	31,410	28,759
- other services	3,500	3,500
	34,910	32,259

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 14. Issued Capital

	2021 \$	2020 \$
Issued capital		
Ordinary shares issued and fully paid	23,938,688	15,970,451

Ordinary shares entitle the holder to participate in dividends and in the proceeds and winding up of the Company in proportion to the number of and amounts paid on the shares held.

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

	2021		2020	
	Number of shares	\$	Number of shares	\$
Movement in ordinary shares on issue				
At beginning of year	286,379,891	15,970,451	247,246,454	13,636,731
Shares issued for cash	95,000,000	8,099,981	39,133,437	2,348,000
Shares issued on conversion of PRs	7,000,000	258,392	-	-
Share issue costs	-	(390,136)	-	(14,280)
At end of year	388,379,891	23,938,688	286,379,891	15,970,451

Note 15. Reserves

	CONSOLIDATED	
	2021 \$	2020 \$
Share-based payment reserve		
Balance at beginning of year	143,485	-
PRs issued during the year	140,929	143,485
PRs converted during the year	(258,392)	-
Balance at end of financial year	26,022	143,485

The share-based payments reserve is used to record the value of options and performance rights (PRs) granted as share-based payments as part of total remuneration. Refer to Note 10 for further information on these options and performance rights.

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 16. Accumulated Losses

	CONSOLIDATED	
	2021	2020
	\$	\$
Movement in accumulated losses:		
Balance at beginning of year	(13,881,298)	(11,333,472)
Loss for the year	(2,356,797)	(2,547,826)
Balance at end of financial year	(16,238,095)	(13,881,298)

Note 17. Financial Instruments

The Group's principal financial instruments comprise cash, term deposits investments, trade payables and trade receivables. These financial instruments arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the consolidated financial statements.

	CONSOLIDATED	
	2021	2020
	\$	\$
(a) Categories of financial instruments		
Financial assets		
Cash and cash equivalents	7,810,003	2,270,149
Trade and other receivables	64,926	58,525
Term deposit investments	115,400	40,000
	8,114,406	2,421,419
Financial liabilities		
Trade and other payables	421,343	179,686

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 17. Financial Instruments (continued)

(b) Interest rate risk

The Group is exposed to interest rate risk due to variable interest being earned on its assets held in cash and cash equivalents.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	CONSOLIDATED			
	2021		2020	
	Carrying amount	Interest rate	Carrying amount	Interest rate
	\$	%	\$	%
Variable rate instruments				
Cash and bank balances	7,810,003	0.05	2,270,149	0.64
Fixed rate instruments				
Term deposit investments	115,400	0.25	40,000	1.00

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2020.

	Equity		Profit or loss	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2021: Consolidated				
Variable rate instruments	78,100	(78,100)	78,100	(78,100)
30 June 2020: Consolidated				
Variable rate instruments	22,701	(22,701)	22,701	(22,701)

Funds that are not required in the short term are placed on deposit for a period of no more than 6 months at a fixed interest rate. The Group's exposure to interest rate risk and the effective interest rate by maturity is set out above.

The Group also has insurance premium arrangements of \$26,680 (2020: \$20,314) which are payable in monthly instalments at a flat interest rate of 6.85% The final instalment is due 15 January 2022.

(c) Net fair values

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities approximates their carrying value.

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 17. Financial Instruments (continued)

(d) Credit risk

There are no significant concentrations of credit risk within the Group, apart from its cash balances with its bank.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and trade receivables, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There is no requirement for collateral.

(e) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash reserves.

The following table details the Group's expected contractual maturity for its financial liabilities:

30 June 2021: Consolidated	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
	\$	\$	\$	\$	\$
<i>Financial liabilities</i>					
Non-interest bearing	424,250	-	-	-	424,250
Interest bearing	4,000	12,000	10,080	-	26,680
	428,250	12,000	10,680	-	450,930

30 June 2020: Consolidated	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
	\$	\$	\$	\$	\$
<i>Financial liabilities</i>					
Non-interest bearing	183,360	-	-	-	183,360
Interest bearing	3,058	6,116	11,140	-	20,314
	186,418	6,116	11,140	-	203,674

(f) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Group's activities, being mineral exploration and research and development relating to the nanocube technology, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Group funding being equity raisings.

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 17. Financial Instruments (continued)

(g) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group has no hedging policy in place to manage those risks, however, all foreign exchange purchases are settled promptly.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date expressed in Australian dollars are as follows:

Consolidated	Liabilities		Assets	
	2021	2020	2021	2020
	\$	\$	\$	\$
New Zealand dollars	9,655	1,595	21,067	23,599

Foreign currency sensitivity analysis

The Group is exposed to New Zealand Dollar (NZD) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency there would be an equal and opposite impact on the profit or loss and other equity and the balances below would be negative.

NZD impact	Increase		Decrease	
	2021	2020	2021	2020
	\$	\$	\$	\$
Profit or loss (i)	1,141	2,200	(1,141)	(2,200)
Other equity	1,141	2,200	(1,141)	(2,200)

(i) This is attributable to the exposure outstanding on NZD payables and the NZD bank account balance at year end in the Group.

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 18. Commitments

a) Project development expenditure commitments

In order to maintain current rights of tenure to mining tenements and permits, the Group has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements but are payable.

	CONSOLIDATED	
	2021	2020
	\$	\$
Within one year	216,000	135,000
Later than one year but not later than 5 years	864,000	780,000
	1,080,000	915,000
b) Office lease commitments		
Within one year	2,594	21,552
Later than one year but not later than 5 years	-	-
	2,594	21,552

Note 19. Segment Information

The Group is managed primarily on the basis of its exploration projects (resource segment) and research and development of the nanocube technology and robotics and AI solutions (technology segment). Operating segments are therefore determined on the same basis.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief operating decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment Assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- income tax expense;
- deferred tax assets and liabilities; and
- discontinuing operations.

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 19. Segment Information (continued)

	Resources	Technology	Unallocated (Corporate)	Total
Consolidated	\$	\$	\$	\$
Year ended 30 June 2021:				
Segment revenue & other income	484,544	693,062	-	1,177,606
Segment result	132,095	(1,344,871)	(1,144,021)	(2,356,797)
Included within segment revenue & result:				
Contract revenue	-	127,000	-	127,000
R&D tax offset/government grants	418,612	524,062	-	942,674
Depreciation	-	(3,036)	(3,833)	(6,869)
Interest income	76	441	4,925	5,442
Segment assets	73,155	464,330	7,708,273	8,245,758
Segment liabilities	64,832	162,669	291,642	519,143

	Resources	Technology	Unallocated (Corporate)	Total
Consolidated	\$	\$	\$	\$
Year ended 30 June 2020:				
Segment revenue & other income	619,788	436,828	-	1,056,616
Segment result	(593,191)	(1,207,902)	(746,733)	(2,547,826)
Included within segment revenue & result:				
Contract revenue	150,000	94,500	-	244,500
R&D tax offset/government grants	467,287	342,328	-	809,615
Depreciation	-	(3,358)	(5,192)	(8,550)
Interest income	1,202	747	27,093	29,042
Segment assets	147,785	150,133	2,186,235	2,484,153
Segment liabilities	11,557	104,680	135,278	251,515

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 20. Related Party Disclosures

The consolidated financial statements include the financial statements of Strategic Elements Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest		Investment \$	
		2021	2020	2021	2020
Maria Resources Pty Ltd	Australia	100	100	1	1
Strategic Materials Pty Ltd	Australia	100	100	1	1
Australian Advanced Materials Pty Ltd	Australia	100	100	1	1
Stealth Technologies Pty Ltd	Australia	100	100	1	1
Cognition Engines Pty Ltd*	Australia	100	-	1	-

*Incorporated on 4th June 2021.

Strategic Elements Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with related entities:

Director related entities

Remuneration for Directors is paid to entities controlled by the Directors. Please refer to the Remuneration Report in the Directors Report and Note 23 for more detail.

During the year the Group engaged Enbit Pty Ltd ("Enbit"), an entity related to Elliot Nicholls, a director of the Company for IT services. Enbit received a total of \$2,200 plus GST during the year (2020: \$5,882 plus GST). There were no amounts outstanding between Enbit and the consolidated entity at 30 June 2021 (2020: \$nil).

Notes to the Consolidated Financial Statements 30 June 2021

Strategic Elements Limited

Note 21. Parent Entity Information

As at, and throughout, the financial year ending 30 June 2021 the parent company of the Group was Strategic Elements Limited.

Financial position of Parent entity at year end

	2021 \$	2020 \$
Assets		
Current assets	7,637,110	2,123,183
Non-current assets	363,652	238,719
Total assets	8,000,762	2,361,902
Liabilities		
Current liabilities	274,147	129,264
Total liabilities	274,147	129,264
Equity		
Issued capital	23,938,688	15,970,451
Retained earnings	(16,238,095)	(13,881,298)
Reserves		
Share-based payments	26,022	143,485
Total equity	7,726,615	2,232,638

Financial performance of Parent entity for the year

	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$
Loss for the year	(2,356,797)	(2,547,826)
Other comprehensive income	-	-
Total comprehensive loss	(2,356,797)	(2,547,826)

Notes to the Consolidated Financial Statements

30 June 2021

Strategic Elements Limited

Note 22. Contingent Liabilities

There are no contingent liabilities outstanding at the end of the financial year.

Note 23. Directors' and Executives' Disclosures

(a) Details of key management personnel

(i) Directors

Charles Murphy	Managing Director & Acting Chairman
Matthew Howard	Executive Director
Elliot Nicholls	Executive Director

(b) Key management personnel compensation

The key management personnel compensation for the year is as follows:

	Year ended 30 June 2021	Year ended 30 June 2020
	\$	\$
Short term benefits	740,500	679,800
Equity benefits	140,929	143,485
Total	881,429	823,285

(c) Performance rights holdings of key management personnel

30 June 2021	Balance at beginning of year	Granted as remuneration	Converted during the year	Balance at end of year	Vested	Not vested
Directors						
Charles Murphy	3,500,000	-	(2,750,000)	750,000	750,000	-
Matthew Howard	3,500,000	-	(2,750,000)	750,000	750,000	-
Elliot Nicholls	1,500,000	-	(1,500,000)	-	-	-
Total	8,500,000	-	(7,000,000)	1,500,000	1,500,000	-

30 June 2020	Balance at beginning of year	Granted as remuneration	Converted during the year	Balance at end of year	Vested	Not vested
Directors						
Charles Murphy	-	3,500,000	-	3,500,000	-	3,500,000
Matthew Howard	-	3,500,000	-	3,500,000	-	3,500,000
Elliot Nicholls	-	1,500,000	-	1,500,000	-	1,500,000
Total	-	8,500,000	-	8,500,000	-	8,500,000

Note 24. Events Subsequent to Reporting Date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the Group up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' Declaration

30 June 2021

Strategic Elements Limited

1. In the opinion of the directors of Strategic Elements Limited (the 'Company'):
 - a. the accompanying financial statements and notes are 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 2021 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards and Corporations Regulations 2001, professional reporting requirements and other mandatory requirements;
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

This declaration is signed in accordance with a resolution of the Board of Directors.



Charles Murphy
Managing Director
Perth WA, 20th August 2021

Independent Auditor's Report to the Members of Strategic Elements Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Strategic Elements Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Nexia Perth
Audit Services Pty Ltd**
ACN 145 447 105
Level 3, 88 William Street
Perth WA 6000
GPO Box 2570, Perth WA 6001
p +61 8 9463 2463
f +61 8 9463 2499
e audit@nexiaperth.com.au
w nexia.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Nexia Perth Audit Services Pty Ltd is an independent firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd, deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes NEXIA) are not part of a worldwide partnership.

The trademarks NEXIA INTERNATIONAL, NEXIA and the NEXIA logo are owned by Nexia International Limited and used under licence.

Key audit matter	How our audit addressed the key audit matter
------------------	--

Funding and liquidity
Refer to note 17 (f)

Strategic Elements Limited is a Pooled Development Fund with investments in exploration and information technology companies. The key activities of its investee companies are to explore for gold and copper minerals and to perform research and development in the field of technology.

The investees' activities have not yet advanced to a stage where it is able to generate commercial revenue, accordingly the Group is reliant on funding from external sources, such as capital raisings, to support its operations. We focussed on whether the Group had sufficient cash resources and access to funding to allow the Group to continue as a going concern.

The adequacy of funding and liquidity as well as the relevant impact on the going concern assessment is a key audit matter due to the inherent uncertainties associated with the future development of the Group's projects and the level of funding required to support that development.

We evaluated the Group's funding and liquidity position at 30 June 2021 and its ability to repay its debts as and when they fall due for a minimum of 12 months from the date of signing the financial report. In doing so, we:

- obtained management's cash flow forecast for the 18 month period from 1 July 2021 to 31 December 2022;
- assessed the reliability and completeness of management's assumptions by comparing the forecast cash flows to those of the current and previous years and as well as our understanding of future events and conditions; and
- considered events subsequent to year end to determine whether any additional facts or information have become available since the date on which management made its assessment.

Other information

The directors are responsible for the other information. The other information comprises the information in Strategic Elements Limited's annual report for the year ended 30 June 2021 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the consolidated financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Strategic Elements Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

NPAS

Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen

Director

Perth

20 August 2021

Additional Securities Exchange Information

Strategic Elements Limited

Holdings Range Report

STRATEGIC ELEMENTS LIMITED

Security Class: SOR - ORDINARY SHARES
 As at Date: 17-Aug-2021
 Price per security: \$0.3350

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	859	616,233	0.16%
above 1,000 up to and including 5,000	4,096	11,521,219	2.97%
above 5,000 up to and including 10,000	2,276	18,399,399	4.74%
above 10,000 up to and including 100,000	3,865	129,139,779	33.25%
above 100,000	658	228,703,261	58.89%
Totals	11,754	388,379,891	100.00%

Based on the price per security, number of holders with an unmarketable holding: 1478, with total 1,376,594, amounting to 0.35% of Issued Capital.

Additional Securities Exchange Information (continued)

Strategic Elements Limited

Top holders grouped report STRATEGIC ELEMENTS LIMITED

Security class: **SOR - ORDINARY SHARES**
SOROPT01 - OPTIONS @ \$0.40 EXPIRE 23/04/2023
 As at date: **17-Aug-2021**
 Display top: **20**

Position	Holder Name	Holding	% IC
1	ROBINIA PARTNERS PTY LTD <GIRAFFE CM A/C>	8,250,000	2.11%
2	MRS KIM LI HOWARD & MR MATTHEW DOMINIC MCGUINNESS HOWARD <HOWARD FAMILY A/C>	6,342,526	1.62%
3	EMNET PTY LTD	5,563,334	1.42%
4	CITICORP NOMINEES PTY LIMITED	3,168,122	0.81%
5	MR TONY JOHN LAMBERT & MRS SHANE LAMBERT <CAMBRIDGE SUPER FUND A/C>	3,023,334	0.77%
6	DIVERGENT ASSETS PTY LTD <JACOBS FAMILY A/C>	3,000,000	0.77%
7	PARISI HOLDINGS PTY LTD <SUPERANNUATION FUND A/C>	2,500,000	0.64%
8	FEAR GOD PTY LTD <PEACEFUL TREASURE SF A/C>	2,485,147	0.64%
9	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,083,334	0.53%
10	MR DAVID ANTHONY BARNAO	2,067,191	0.53%
11	STEVEN MURPHY ELECTRICAL CONTRACTORS PTY LTD <SRM SUPER FUND A/C>	2,033,334	0.52%
12	EMNET PTY LTD	1,867,366	0.48%
13	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	1,802,943	0.46%
14	JOPETCO PTY LTD <RP & JB HOSE SUPER FUND A/C>	1,600,000	0.41%
15	TRISKELION ENTERPRISES PTY LTD <THE MYH LIANG FAMILY A/C>	1,333,334	0.34%
16	MR NEIL JOHN WHEATLEY	1,323,335	0.34%
17	MR OSCAR WETHERELL	1,258,626	0.32%
18	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	1,250,696	0.32%
19	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,209,929	0.31%
20	MR JOHN FREDERICK MICHAUX	1,165,000	0.30%
	Total	53,327,554	13.63%
	Total issued capital - selected security class(es)	391,379,891	100.00%

For personal use only



STRATEGIC
ELEMENTS

