

2024

Annual Report

Strategic Elements Limited

ABN 47 122 437 503



STRATEGIC
ELEMENTS

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Corporate Information

Strategic Elements Limited

ABN 47 122 437 503

Directors

Charles Murphy
Matthew Howard
Elliot Nicholls

Company Secretary

Matthew Howard

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Solicitors

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Auditors

Nexia Perth Audit Services Pty Ltd
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Perth WA 6000

Securities Exchange Listing

ASX Limited
ASX Code: SOR

Share Register

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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 "parent entity") and the entities it controlled at the end of, or during the year ended 30 June 2024.

Directors

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.

Names, qualifications and experience:

Charles Murphy – Managing Director and 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 corporate and business development, project management, IPO preparation, transaction structuring and capital raising.

Mr Murphy 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.

Matthew Howard – Executive Director and Company Secretary

Mr Howard has assisted in closing 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.

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.

Directors were in office for this entire period.

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

As at the date of this report, the interests of the directors in the shares and options of the Company were:

Director	Number of fully paid ordinary shares	Performance Rights
C Murphy	10,142,567	2,000,000
M Howard	7,259,192	2,000,000
E Nicholls	7,449,048	2,000,000

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).

Strategic Elements Pooled Development Fund

Strategic Elements operates as a 'venture builder' and generates high-risk-high reward ventures and projects by 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 Australian Taxation Office concessions help compensate for 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 an extensive portfolio of minority 10-20% investments. Instead, it aims to generate a smaller number of ventures in collaboration with teams of leading scientists or innovators.
- Strategic Elements majority funds the initial development of each venture whilst seeking a key investor or strategic partner to assist commercialisation at the appropriate time.
- Collaborations with Universities and other government research organisations provide access to significant institutional, technical infrastructure and equipment.
- Collaborations for government funding combined with the Australian Government's research and development tax incentive program, significantly reduces cash impact on shareholders.
- The Company seeks returns through a trade sale or IPO of a venture, a licensing deal or income generated from a particular venture.

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

The information 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.

Australian Advanced Materials (AAM) (100%)

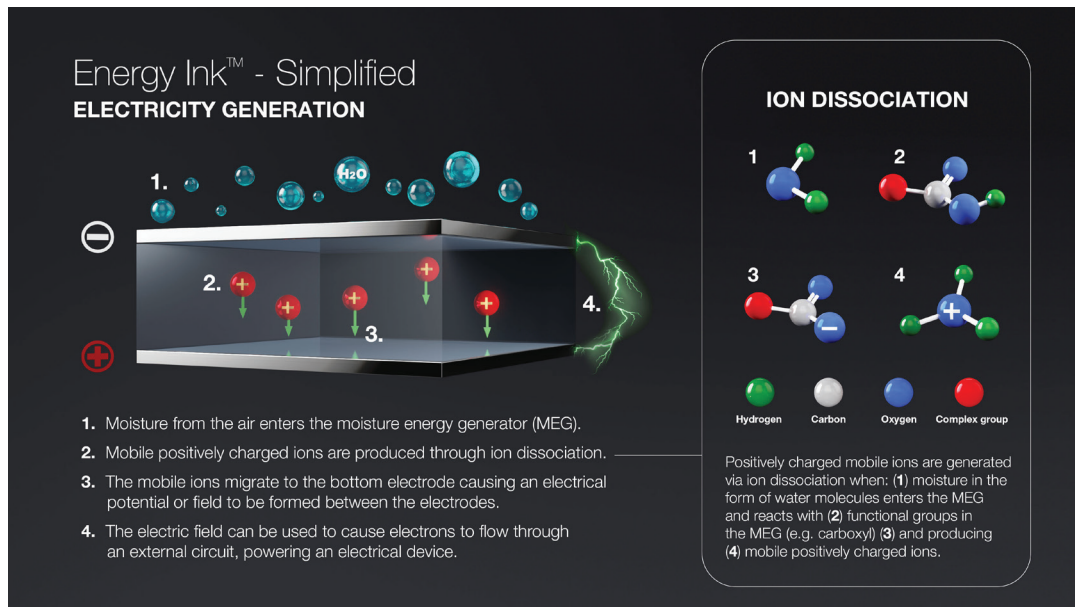
Wholly owned venture Australian Advanced Materials Pty Ltd (AAM) is developing the Energy Ink™ technology with a world-leading material science team at the University of New South Wales and other collaborators. The technology opportunity is for an environmentally friendly method of harvesting energy from moisture in the air.

Printed graphene-oxide-based Energy Ink™ cells that harvest energy from humidity (airborne water molecules) could potentially directly power a device, complement a battery by extending device life or provide energy for battery storage. These different use cases provide alternative commercialisation and partnering options for AAM.

Summary of potential features:

- Green power source
- Utilises free, limitless ambient moisture
- Generate energy both day and night
- Position indoors or outdoors
- Small footprint
- Portability, lightweight, flexible materials
- Printable materials reduce time and cost

By leveraging breakthroughs in the fundamental mechanisms that convert moisture to energy and integrating these into nanoionic inks, the Energy Ink™ technology has significantly exceeded the power density of other relevant published moisture electricity generation technologies.



The materials science group at The University of New South Wales (UNSW) have developed deep experience in printed, electronic inks, energy harvesting and storage developed over the past ten years and are applying that experience to develop the Battery Ink technology. The UNSW School of Materials Science and Engineering highly isranked for material science. UNSW has several partnerships and has collaborated 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.

Professor Dewei Chu, lead inventor of the Energy Ink™ technology at UNSW, has been awarded an Australian Research Council Industry Fellowship for mid-career researchers. The fellowship provides funding for Professor Chu to apply his globally recognized expertise in generating electrical energy from moisture to the Australian Advanced Materials project on a full-time basis for four years. The Australian Research Council (ARC) Industry Fellowships program is highly competitive and enables leaders in Australian research to collaborate with specific industry partners. These fellowships aim to encourage and facilitate knowledge transfer between academia and industry.

The ARC Project includes AAM, Stealth Technologies Pty Ltd and a team of interdisciplinary researchers in functional materials, computational materials science and solution-processed nanodevices. It aims to address the industry need for self-powered small devices and sensors. The team will have access to state-of-the-art facilities at UNSW, including nanoionics materials fabrication, electronic printing and characterisation technology. The ARC is providing approx. \$1,020,000 in cash funding whilst AAM will contribute \$800,000 in cash funding over the four years.

AAM has continued to progress the Australian Research Council funded Energy Ink™ technology during the period. The Strategic Elements team, engineers from Stealth Technologies and material scientists from UNSW are working to progress both High Power and Small Device Energy Ink™ cells that generate energy from moisture in the air.

AAM had previously set an ambitious goal of generating energy from moisture in an apartment building car park overnight and providing a small charge to an electric vehicle. However, achieving the required power and duration and upscaling fabrication methods to manufacture thousands of cells and electrodes for the proposed prototype device are presenting formidable challenges to the Energy Ink™ team to achieve within the UNSW laboratory alone.

AAM is working to overcome challenges in upscaling fabrication methods to manufacture thousands of cells and electrodes. Subject to successful cell scaling, a program of work targeted towards providing a small charge to an electric vehicle will resume.

To assist in overcoming these challenges, a company with expertise in printed electronics within the defence and health sectors was engaged to assist in transferring the technology out of the laboratory environment into an industrial setting. The objective is to successfully scale production from small-scale laboratory fabrication to a more automated process to enable larger numbers of cells to be fabricated.

Development of small device Energy Ink™ cells is focused on enabling AAM to collaborate with potential application partners. The overriding objective for the Small Device program is to optimise Energy Ink™ materials to a stage where they can be transferred to potential development and application partners, who will ultimately progress the high-level automation.

Key near term development includes:

- Testing various commercial screen printable conductive inks to determine appropriate combination for optimised electrical performance for the Energy Ink™ cell.
- Develop different processes to scale up volumes of Energy Ink™ for potential high volume ink production.
- Optimise each layer of Energy Ink™ to ensure compatibility with commercial printing processes which will enable prototypes to be developed through higher-volume fabrication.

Partnering is also intended around cell packaging. Packaging is an important development pathway as it allows the Energy Ink™ cell's energy-generating ability to be controlled and deployed when required. As development intensifies, duration, shelf life and material cost will present additional hurdles for the Energy Ink™ team.

Despite the difficulty in capital markets for speculative technology projects, AAM believes the imperative for more innovative, environmentally friendly power sources will continue to grow. The Energy Ink™ technology is still far from reaching its maximum potential as the team continues to discover, develop and showcase the ability to enhance the technology's ability to harvest energy from moisture.

Stealth Technologies Pty Ltd (Stealth) (100%)

Stealth has an agreement with global software-industrial company Honeywell to progress the commercialisation of Autonomous Security Vehicles (ASVs) for perimeter security.

Stealth's first-generation Autonomous Security Vehicle (ASV) seamlessly integrates into Honeywell's prison security management platform and can autonomously navigate pre-defined missions to test critical Perimeter Intrusion Detection Systems (PIDS), including photo-electric beams, microphonic and fibre-optic fence sensors, buried electromagnetic cables and microwave beams. Multiple sensors provide patrol and surveillance, including a military-grade camera that offers 360-degree high-definition video. Stealth has been actively developing analytics to add further automation to surveillance applications. The Stealth ASV has completed thousands of successful advanced Perimeter Intrusion Detection Systems operational tests at a Western Australian prison facility.

Under the agreement, Honeywell is responsible for identifying, engaging, and maintaining customer relationships, procuring access to customer facilities, processing fees, and entering and maintaining agreements with customers to facilitate ASV Pilot Deployments. In June 2024, Stealth entered discussions for a further ASV deployment to an overseas customer under this agreement, however, no commitment has been made or received at this stage.

Stealth is also systematically advancing key components of its ASV technology to develop new product applications outside of security and is developing sensor fusion technology aimed at improving the profitability of underground mining.

Stealth and an Australian mining company continued to investigate a potential pilot program to deploy the technology underground. In June 2024, Stealth collected further data from the underground mine using its sensor fusion technology originally developed for the ASV.

The goal of the potential pilot program is to validate the Stealth technology in a real-world setting and demonstrate potential commercial benefits to future potential customers. No pilot program agreement has been formed to date.

Stealth has been continuing to provide critical input into the Energy Ink™ development. This quarter, work has focused on the development of custom test measurement kits for Energy Ink™ cells. A new power management kit has been developed for testing different power output modes of the updated cells, and assembly and testing has successfully been replicated at the Perth lab. Stealth has also been integral in designing a custom printed electronics structure to potentially allow larger numbers of cells to be fabricated.



Maria Resources & Strategic Materials (100%)

Maria Resources Pty Ltd (Maria) is applying innovative scientific geological models for critical metals to unexplored terrains. Collaborating with Dr Franco Pirajno, formerly with Anglo-American Corp for 19 years and Exploration Manager in Southwest Pacific. The Geological Service of WA and nominated a top 1% highly cited researcher globally in 2019 for his work in geological science.

Maria has received an EIS drilling grant for the Cyclops Project, adjacent to the Leviathan Project in the remote Nullarbor region in WA. Maria has merged its Leviathan Project work into the Cyclops exploration program. Economics of a combined program significantly reduces the overall drilling cost, access issues and logistics for Cyclops and Leviathan. Gravity and magnetics data have been analysed by external consultants and targeting completed across the wider area.

Maria has further developed its strategy into drill testing at its Leviathan and Cyclops technology metals projects. Maria intends to conduct initial drill testing of the Cyclops project in Q4, 2024 subject to aboriginal access agreement and approvals from the Western Australian government.

Maria had planned on accessing the Cyclops/Leviathan areas in June and July of 2024 to test various methods of geochemical sampling prior to any planned drill program. However, unfortunately these plans have been delayed due to the heavy rainfall in the Nullarbor region which have washed out tracks in the area preventing access to Maria's tenements. Other companies conducting exploration groundwork in the Madura Province have also temporarily paused their work programs due to limited access. Currently, the only access into the area is via private flight charter which is not practical for ground exploration.

Strategic Materials Pty Ltd holds a mineral permit over the entire historic Golden Blocks Mines goldfield in New Zealand and is seeking to apply modern technology to a historic goldfield that has been left completely untouched by modern exploration. No field exploration was conducted during the period.

Corporate

During the year shareholders approved the issue of 6,000,000 performance rights (PRs) to directors of the Company under the Company Employee Securities Incentive Plan. The vesting of the PRs is dependent on the achievement of the following performance hurdle: "develop a prototype Energy Ink™ device that uses moisture and generates at least 1kw of power". The PRs have a vesting period of 2 years from the date of shareholder approval (see note 11: Share-based payments in the notes to the financial statements for further details)."

The total expense recognised in the year for share-based payments in respect of performance rights already granted is \$17,277 (2023: \$31,739).

At the Annual General Meeting held at Hampden Conference Centre, 230 Hampden Road, Crawley WA on 28 November 2023 all resolutions contained in the Notice of meeting were passed by shareholders by way of poll.

Operating result for the year

The consolidated entity's loss for the year ended 30 June 2024 was \$2,587,214 (year ended 30 June 2023: \$2,462,347).

Review of financial position

At 30 June 2024, the consolidated entity had \$5,756,686 in cash and term deposit balances (30 June 2023: \$7,988,994).

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 consolidated entity that occurred during the year.

Significant events after reporting date

On 10 July 2024 the Company issued 21,875,000 shares at an issue price of \$0.04 per share to raise \$875,000 before issue costs. Each share issued includes a free attaching unlisted option which can be exercised at a price of \$0.06 per option and will expire on 16 August 2027. As disclosed in ASX lodgements, an additional 3,500,000 were issued with an exercise price of \$0.06 per option and an expiry date of 16 August 2027.

The purpose of this small strategic capital raise was to ensure the Group has more than 2 years of funds available to provide surety to investors and potential partners that it can provide follow on funding to its projects.

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.

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 above.

Environmental legislation

With respect to its environmental obligations regarding its exploration activities the consolidated entity 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.

Indemnification of Auditors

To the extent permitted by law, the Group has agreed to indemnify its auditors, Nexia Perth Audit Services Pty Ltd, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Nexia Perth Audit Services Pty Ltd during or since the financial year.

Dividends

No dividends have been paid or declared during or subsequent to the financial year end.

REMUNERATION REPORT (Audited)

This report outlines the remuneration arrangements in place for the key management personnel ("KMP") of the Company for the financial year ended 30 June 2024. 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 KMP 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 entity.

Key Management Personnel

Charles Murphy (Managing Director and Chairman)

Matthew 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 non-executive 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 Securities Incentive Plan

Under the terms of the Company's Employee Securities Incentive Plan (Plan), the Board may offer shares/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. Details of the Plan can be found in the Company's Notice of Meeting for 2023.

The Company does not have a policy for key management personnel to hedge their equity positions against future losses.

Executive Service Agreements

The Company has entered into Executive Service agreements with the following directors:

- Mr Charles Murphy (Managing Director and 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.
 - 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.
 - 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.
 - 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.

Table 1: Remuneration of key management personnel (KMP) for the year ended 30 June 2024 and the year ended 30 June 2023:

		Short-term employee benefits		Post-employment benefits	Equity		Total	Performance Related %
		Fixed Salary & fees	Variable remuneration	Superannuation	Expensed Performance Rights Value	Options		
		\$	\$	\$	\$	\$		
Executive directors								
Charles Murphy	2024	282,000	25,000	-	21,562	-	328,562	6.56
	2023	282,000	25,000	-	-	-	307,000	-
Matthew Howard	2024	212,000	25,000	-	21,562	-	258,562	8.34
	2023	212,000	25,000	-	-	-	237,000	-
Elliot Nicholls	2024	212,000	25,000	-	21,562	-	258,562	8.34
	2023	212,000	25,000	-	-	-	237,000	-
Total executive directors	2024	706,000	75,000	-	64,686	-	845,686	7.65
	2023	706,000	75,000	-	-	-	781,000	-

Share-based paymentsPerformance Rights

There were 6,000,000 Performance Rights issued during the year (2023: none).

There were no Performance Rights converted to shares during the year (2023: none).

2,000,000 Performance Rights vested or expired during the year.

Refer to Note 11: Share-based payments in the Notes to the Consolidated Financial Statements for details of PRs granted and expired during the year.

Ordinary shares

During the year no shares were issued to staff as remuneration (2023: none).

The total expense recognised in the year for share-based payments is \$17,277 (2023: \$31,739).

----- **END OF REMUNERATION REPORT** -----

Directors' meetings

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	7	7
Matthew Howard	7	7
Elliot Nicholls	7	7

Risk Statement**Research and Development**

The Company's future success is partially dependent on the successful research and development of the Energy Ink™ technology in Australian Advanced Materials, research and development in Stealth Technologies and geological science.

Australian Advanced Materials has had initial success with the development of Energy Ink™ technology but given Energy Ink™ is still an early-stage technology, is it susceptible to risks associated with early-stage R&D such as the uncertainty of material science development. Some potential risks may include:

- lack of research institute capability;
- material engineering challenges;
- competition from other research groups;
- fabrication and deposition challenges;
- access to correct laboratory equipment; and
- problems scaling up lab based methods.

To mitigate against some of these manageable risks, the Company has formed an extensive relationship with a leading Australian Materials Science research institution and utilises local and overseas capability where required.

Stealth Technologies has developed an Autonomous Security Vehicle and developing software for commercial purposes. Software and hardware development is subject to risks associated with technology development such as failure in technology components, intellectual property management, technology partners, commercial partners and customers. There can be no assurance that Stealth Technologies will successfully develop and manufacture new products or that new products will be accepted in the marketplace. If Stealth Technologies does not successfully develop new products, the business, operating results and financial condition of the Group may be adversely affected. To mitigate against some of these risks, Stealth Technologies retains capable staff and consultants, has a limited number of key technology partnerships and direct engagements with strategic customers to trial Stealth Technologies solutions as part of the commercialisation pathway.

Intellectual Property

Securing rights in technology and patents is an integral part of securing potential product value in the outcomes of materials research and development. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. The Company manages these risks by filing patents frequently, managing publication requests from researchers, engaging key IP specialists in Australia and overseas, ensuring IP is protected through agreements and monitoring background art in the development area.

Pooled Development Fund Registration

The ongoing registration of the Company and the tax concessions afforded to shareholders is a factor of the Company remaining compliant with the Pooled Development Funds Act 1992 and the Australian Government keeping the program operational, although it is closed for new registrations. There is a risk that the Company may lose its status as a Pooled Development Fund if it fails to comply with these requirements or the legislative framework underpinning the tax concessional status of Pooled Development Funds changes. This may be detrimental to shareholders or Pooled Development Funds generally, including the Company. At the date of this Annual Report, the Company remains a registered and compliant Pooled Development Fund and is unaware of any information that would affect the Company's current registration as a Pooled Development Fund.

Updates from AusIndustry on the Pooled Development Fund program can be found at

- <https://business.gov.au/grants-and-programs/pooled-development-funds>

Reliance on Key Personnel

The Company is reliant on key staff and personnel engaged to conduct research and development of the Energy Ink™ technology at UNSW. Loss of such personnel may have a material adverse impact on the performance of research and development program within Australian Advanced Materials. The loss of key personnel or the inability to attract suitably qualified additional personnel could have an adverse effect on the Company's performance. To mitigate this risk, the Company offers competitive remuneration packages to key employees and utilises multi-year research contracts for key researchers.

Business strategy

There is a risk that management of the Group will not be able to implement its business strategy. The capacity of management to properly implement and manage the strategic direction of the Company may be impacted by operational and market matters outside of their control. This may affect the Group's operating and financial performance.

Mineral Exploration Activities

Strategic Materials and Maria Resources conduct mineral exploration. The companies hold exploration permits (the Projects) subject to the respective mineral programs for New Zealand and Western Australia. The Projects are conceptual in nature and are exposed to the typical risks associated with mineral exploration such as failure to identify economic mineralisation and issues with landowners, local government authorities, federal authorities and traditional owners. The Company maintains compliance with current mineral permits by developing strong technical work programmes that are adequately funded and involving technical experts such as geophysicists and experienced geologists. Where applicable, the Company engages with landowners, traditional owners and other key stakeholders at an early stage with the assistance of consultants.

Liquidity and future capital requirements

The Company has no material operating revenue and is unlikely to generate any material operating revenue in the foreseeable future. Exploration, research, project development and evaluation costs will continue to use funds from the Company's current cash reserves.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to meet its operating and growth objectives. The Company prepares cash forecasts and maintains cash balances to meet short and long-term cash requirements. The Company's objective is to raise sufficient funds from equity and/or debt to finance its activities until its operations become profitable.

The Company's ability to continue its activities over time may depend in part on its ability to raise additional funds. The future capital requirements of the Company will depend on many factors including its ability to develop and grow its investments. The Company believes its available cash following the placement will be adequate to fund its business objectives in the short term, however, the Company may require further funding in the future.

In the event further funding is required to maintain operations, any additional equity financing may be dilutive to Shareholders or may be undertaken at lower prices than the market price.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional funding as needed, it may be required to reduce the scope of its activities, the Company may also not be able to take advantage of opportunities or respond to competitive pressures. An inability to obtain additional funding could also result in delays or reductions in further exploration, research, project development and evaluation activities which could have a material adverse effect on the Company's ability to continue as a going concern.

Cyber Risk

The Company's operations are and will continue to be reliant on various computer systems, data repositories and interfaces with networks and other systems. Failures or breaches of these systems (including by way of virus and hacking attacks) have the potential to materially and negatively impact the Company's operations. Whilst the Company has barriers, continuity plans and risk management systems in place, there are inherent limits to such plans and systems. An example of this would include a global outage of a technology provider. Further, the Company has no control over the cyber security plans and systems of third parties with which it may interface or upon whose services the Company's operations are reliant.

Forward-looking Statements

There can be no guarantee that the assumptions and contingencies on which any forward-looking statements, opinions and development timeline estimates contained in materials published by the Company are based will ultimately prove to be valid or accurate. The forward-looking statements, opinions and estimates depend on various factors, including known and unknown risks, many of which are outside the control of the Company. Actual performance of the Company may materially differ from forecast performance.

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 20 and forms part of this directors' report for the year ended 30 June 2024.

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 APES110 Code of Ethics for Professional Accountants 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) - \$3,400 (2023: \$3,500)

Taxation services - \$6,600 (2023: \$2,120)

Signed in accordance with a resolution of the directors.



Charles Murphy
Managing Director
Perth WA, 28th August 2024

To the Board of Directors of Strategic Elements Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead auditor for the audit of the financial statements of Strategic Elements Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



Nexia Perth Audit Services Pty Ltd



Muranda Janse Van Nieuwenhuizen

Director

28 August 2024
Perth, Western Australia

Advisory. Tax. Audit.

ACN 145 447 105

Nexia Perth Audit Services Pty Ltd (ABN 27 145 447 105) is a firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd. Nexia Australia Pty Ltd is a member of Nexia International, a leading, global network of independent accounting and consulting firms. For more information please see www.nexia.com.au/legal. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients.

Liability limited under a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2024

		CONSOLIDATED	
		2024	2023
	Notes	\$	\$
Continuing operations			
Contract revenue	3 (a)	-	15,000
Cost of sales of goods		-	-
Gross profit		-	15,000
Other income	3(b)	455,937	727,963
Depreciation	3(c)	(25,124)	(22,733)
Insurances		(111,849)	(102,229)
Marketing		(61,306)	(70,484)
Professional fees		(153,554)	(155,126)
Project development expenditure		(980,621)	(923,623)
Regulatory & compliance		(122,492)	(217,332)
Remuneration	21(b)	(781,000)	(781,000)
Other employees' costs		(713,246)	(772,798)
Rent & outgoings		(55,165)	(55,218)
Share-based payments	11	(17,277)	(31,739)
Other expenses		(280,585)	(181,411)
Operating loss		(2,846,282)	(2,570,730)
Foreign exchange losses		(4,080)	(1,101)
Interest received	3(d)	269,643	111,796
Interest expense	3(d)	(6,495)	(2,312)
		259,068	108,383
Loss before income tax		(2,587,214)	(2,462,347)
Income tax expense	4	-	-
Loss for the year		(2,587,214)	(2,462,347)
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		(2,587,214)	(2,462,347)
Basic and diluted loss per share (cents per share)	5	(0.58)	(0.60)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

		CONSOLIDATED	
		2024	2023
		\$	\$
	Notes		
Assets			
Current assets			
Cash and cash equivalents	6	5,635,577	7,872,957
Trade and other receivables	7	83,883	116,775
Term deposit investments	8	121,109	115,977
Other current assets	9	115,676	130,223
Total current assets		5,956,245	8,235,932
Non-current assets			
Property, plant and equipment	10	46,845	45,229
Total non-current assets		46,845	45,229
Total assets		6,003,090	8,281,161
Liabilities			
Current liabilities			
Trade and other payables	12	489,192	244,312
Provisions	13	102,644	85,554
Total current liabilities		591,836	329,866
Non-current liabilities			
Provisions	13	29,896	-
Total non-current liabilities		29,896	-
Total liabilities		621,732	329,866
Net assets		5,381,358	7,951,295
Equity			
Issued capital	15	30,070,267	30,070,267
Share-based payments reserve	16	64,686	47,409
Accumulated losses	17	(24,753,595)	(22,166,381)
Total equity		5,381,358	7,951,295

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2024

	Issued capital	Accumulated losses	Share-based payments reserve	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2022	24,204,710	(19,704,034)	15,670	4,516,346
Loss for the year	-	(2,462,347)	-	(2,462,347)
Total comprehensive loss for the year	-	(2,462,347)	-	(2,462,347)
Issue of shares for cash	5,885,622	-	-	5,885,622
Issue costs	(20,065)	-	-	(20,065)
Share-based payments	-	-	31,739	31,739
Balance at 30 June 2023	30,070,267	(22,166,381)	47,409	7,951,295
Balance at 1 July 2023	30,070,267	(22,166,381)	47,409	7,951,295
Loss for the year	-	(2,587,214)	-	(2,587,214)
Total comprehensive loss for the year	-	(2,587,214)	-	(2,587,214)
Expiry of options	-	-	(47,409)	(47,409)
Share-based payments	-	-	64,686	64,686
Balance at 30 June 2024	30,070,267	(24,753,595)	64,686	5,381,358

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2024

		CONSOLIDATED	
		2024	2023
		\$	\$
	Notes		
Cash flows from operating activities			
Receipts from customers		44,000	15,000
Receipts from Government Grants/Incentives		431,486	721,136
Payments to suppliers		(623,207)	(652,941)
Payments to directors & employees		(1,374,544)	(1,808,922)
Payments for project development		(895,547)	(1,001,768)
Payments for leases		(48,847)	(55,734)
Interest received		271,963	87,607
Interest paid		(7,944)	(2,312)
Net cash used in operating activities	6	<u>(2,210,640)</u>	<u>(2,697,934)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(26,740)	(2,694)
Net cash used in investing activities		<u>(26,740)</u>	<u>(2,694)</u>
Cash flows from financing activities			
Proceeds from the issue of shares		-	5,885,622
Payments for costs of issue of shares		-	(20,065)
Net cash from investing activities		<u>-</u>	<u>5,865,557</u>
Net increase/(decrease) in cash and cash equivalents		(2,237,380)	3,164,929
Cash and cash equivalents at beginning of the year		7,872,957	4,708,028
Cash and cash equivalents at end of the year	6	<u>5,635,577</u>	<u>7,872,957</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies that are material to the consolidated entity are set out below. The accounting policies adopted are consistent with those of the previous year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

Basis of 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 2024 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 28th August 2024.

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.

Critical accounting estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Principles 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 2024 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.

NOTE 1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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.

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.

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.

NOTE 1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue and other income (continued)

Other income

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

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 balance 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.

NOTE 1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Income tax (continued)

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 reporting 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.

Goods and services tax (GST)

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.

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.

Project development expenditure

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

Exploration and evaluation

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Project development expenditure (cont'd)

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.

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.

Trade and other payables

Trade payables and other payables are carried at amortised cost using the effective interest method 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.

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.

NOTE 1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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, further details of which are given in Note 11.

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 balance 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.

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 5).

NOTE 1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 straight line 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

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Employee benefits

(i) Wages, salaries, annual leave and sick 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.

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.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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.

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. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 assumptions detailed in Note 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 3. REVENUE AND EXPENSES

	CONSOLIDATED	
	2024	2023
	\$	\$
(a) Revenue from contracts with customers		
Rendering of services	-	15,000
	-	15,000
(b) Other income		
Research & development tax offset	431,486	721,136
Refunds of rent and rates	24,451	6,827
	455,937	727,963
(c) Expenses		
Depreciation of non-current assets	25,124	22,733
	25,124	22,733
(d) Finance Costs		
Bank interest received and receivable	269,643	111,796
Bank interest paid and payable	(6,495)	(2,312)
	263,148	109,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 4. INCOME TAX

	CONSOLIDATED	
	2024	2023
Reconciliation of tax expense to statutory tax:	\$	\$
Loss for the year	(2,587,214)	(2,462,347)
Tax benefit at the applicable tax rate of 25.00% (2023: 25.00%)	(646,804)	(615,587)
s.40-880 expenses	(21,224)	(21,224)
Permanent differences	20,491	16,173
Change in temporary differences	(36,789)	(46,237)
Under provision/ (over provision) of prior year tax losses	(164,975)	(404,384)
Unrecognised tax losses	849,301	1,071,259
Tax expense reported in statement of profit and loss and other comprehensive income	-	-
Unrecognised deferred tax assets:		
Carried forward tax losses	4,317,973	3,633,648
Temporary differences	(36,789)	(46,237)
Components of deferred tax		
Accrued income	1,923	3
Prepayments	(9,724)	(15,419)
Accruals	(28,443)	(27,870)
Provisions	(545)	(2,951)
Tax Losses	4,317,973	3,633,648
Unrecognised deferred tax assets	(4,281,184)	(3,587,411)
	-	-

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 FOR THE YEAR ENDED 30 JUNE 2024

NOTE 5. LOSS PER SHARE

	CONSOLIDATED	
	2024	2023
	Cents per share	Cents per share
Basic loss per share from continuing operations	(0.58)	(0.60)

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 (\$)	(2,587,214)	(2,462,347)
- Weighted average number of ordinary shares (number)	446,933,437	408,387,026

Diluted loss per share

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

NOTE 6. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2024	2023
	\$	\$
Cash at bank and on hand	5,664,044	7,891,766
Credit card	(28,467)	(18,809)
	<u>5,635,577</u>	<u>7,872,957</u>

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

Credit card is paid on the due date incurring no interest charge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 6. 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 above.

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

	CONSOLIDATED	
	2024	2023
	\$	\$
Loss from ordinary activities after income tax	(2,587,214)	(2,462,347)
Depreciation	25,124	22,733
Share-based payments	17,277	31,739
Changes in working capital:		
(Increase)/decrease in other receivables	27,760	(14,574)
(Increase)/decrease in other assets	14,547	(61,007)
(Decrease)/increase in trade creditors and accruals	244,880	(185,192)
(Decrease)/increase in provisions	46,986	(29,286)
Cash flows from operations	(2,210,640)	(2,697,934)

NOTE 7. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2024	2023
	\$	\$
Interest receivable	16,449	23,899
Sundry receivable	-	44,000
GST recoverable	67,434	48,876
	83,883	116,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 8. TERM DEPOSITS INVESTMENT

	CONSOLIDATED	
	2024	2023
	\$	\$
Term deposits	121,109	115,977

The term deposit investments of \$78,777 and \$42,332 mature on 2 May 2025 and 14 May 2025 respectively and attract an interest rate of 4.70% and 4.25% respectively.

NOTE 9. OTHER CURRENT ASSETS

	CONSOLIDATED	
	2024	2023
	\$	\$
Prepayments	115,676	130,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

	Research equipment \$	Office equipment \$	Computer equipment \$	Total \$
Consolidated				
At 30 June 2024				
Cost	58,331	38,308	50,722	147,361
Accumulated depreciation	(32,221)	(29,280)	(39,015)	(100,516)
At 30 June 2024	26,110	9,028	11,707	46,845
At 30 June 2023				
Cost	38,290	38,308	57,517	134,115
Accumulated depreciation	(21,572)	(25,858)	(41,456)	(88,886)
At 30 June 2023	16,718	12,450	16,061	45,229
Consolidated				
Year ended 30 June 2024				
At 1 July 2023 net of accumulated depreciation	16,718	12,450	16,061	45,229
Additions	20,041	-	6,699	26,740
Depreciation charge for the year	(10,649)	(3,422)	(11,053)	(25,124)
At 30 June 2024	26,110	9,028	11,707	46,845
Year ended 30 June 2023				
At 1 July 2022	26,291	15,867	23,110	65,268
Additions	-	-	2,694	2,694
Depreciation charge for the year	(9,573)	(3,417)	(9,743)	(22,733)
At 30 June 2023	16,718	12,450	16,061	45,229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 11. SHARE-BASED PAYMENTS

	CONSOLIDATED	
	2024	2023
	\$	\$
Performance rights granted	64,686	31,739
Performance rights expired	(47,409)	-
	17,277	31,739

Performance rights

There were 6,000,000 Performance Rights (PRs) issued during the year (2023: nil). On 28 November 2023 shareholders approved the issue of PRs to Directors of the Company under the terms of the Company Employee Securities Incentive Plan with a fair value of \$182,400 over a 2 year vesting period. The expense for the current year is \$17,277 (2023: \$31,739). There were no Performance Rights converted to shares during the year (2023: none).

2,000,000 Performance Rights expired during the year (2023: none).

	2024	2023
	No.	No.
Performance Rights		
Outstanding at the beginning of the year	2,000,000	2,000,000
Granted during the year	6,000,000	-
Expired during the year	(2,000,000)	-
Outstanding at the end of the year	6,000,000	2,000,000
Vested at the end of the year	-	-

Details of the PRs issued during the year are set out below:

Number of performance rights (PRs)	6,000,000
Vesting period (months)	24
Performance period starts	28/11/23
Performance period ends	27/11/25
Value per right (cents)	3.04
Total value (dollars)	182,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 11. SHARE-BASED PAYMENTS (CONTINUED)

The PRs were issued to Directors as follows:

Director	Tranche No.1
Charles Murphy	2,000,000
Matthew Howard	2,000,000
Elliot Nicholls	2,000,000

Vesting conditions

The vesting of the PRs granted is dependent on the development of a prototype Energy Ink™ device that uses moisture and generates at least 1kw of power and that Directors remaining in continuous employment with the Company.

The inputs to the PRs valuation were:

Probability used for valuation calculations (%)	40
Expected life of rights (years)	2
Grant date share price (cents)	7.60

2,000,000 performance rights, issued in April 2022, expired without being converted in April 2024. An amount of \$47,409 was credited through profit and loss on expiry.

NOTE 12. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2024	2023
	\$	\$
Trade payables (i)	368,235	123,924
Accrued expenses	120,957	120,388
	<u>489,192</u>	<u>244,312</u>

- (i) Trade payables are non-interest bearing and are normally settled on 30 day terms with the exception of insurance premiums of \$34,174 (2023: \$47,624) which are payable in monthly instalments at a flat interest rate of 7.88%. The final instalment is due 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 13. PROVISIONS

	CONSOLIDATED	
	2024	2023
	\$	\$
Current		
Provision for annual leave	83,375	85,554
Provision for long service leave	19,269	-
	<hr/>	<hr/>
	102,644	85,554
Non current		
Provision for long service leave	29,896	-
	<hr/>	<hr/>
	132,540	85,554
	<hr/>	<hr/>

NOTE 14. REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2024	2023
	\$	\$
Amounts received & receivable by the auditor:		
Nexia Perth Audit Services Pty Ltd		
- audit and review of the financial reports of the Group	40,930	41,345
- tax services	6,600	2,120
- other services	3,400	3,500
	<hr/>	<hr/>
	50,930	46,965
	<hr/>	<hr/>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 15. ISSUED CAPITAL

	2024	2023
	\$	\$
Issued capital		
Ordinary shares issued and fully paid	30,070,267	30,070,267

Issued capital as per ASIC register at 30 June 2024 is \$29,916,416.32.

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.

	2024		2023	
	Number of shares	\$	Number of shares	\$
Movement in ordinary shares on issue				
At beginning of year	446,933,437	30,070,267	390,879,891	24,204,710
Shares issued for cash	-	-	56,053,546	5,885,622
Share issue costs	-	-	-	(20,065)
At end of year	446,933,437	30,070,267	446,933,437	30,070,267

NOTE 16. RESERVES

	CONSOLIDATED	
	2024	2023
	\$	\$
Share-based payment reserve		
Balance at beginning of year	47,409	15,670
Performance rights issued/on issue during the year	64,686	31,739
Performance rights expired during the year	(47,409)	-
Balance at end of financial year	64,686	47,409

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 11 for further information on these options and performance rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 17. ACCUMULATED LOSSES

	CONSOLIDATED	
	2024	2023
	\$	\$
Movement in accumulated losses:		
Balance at beginning of year	(22,166,381)	(19,704,034)
Loss for the year	(2,587,214)	(2,462,347)
Balance at end of year	<u>(24,753,595)</u>	<u>(22,166,381)</u>

NOTE 18. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise cash, term deposit 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 financial statements.

	CONSOLIDATED	
	2024	2023
	\$	\$
(a) Categories of financial instruments		
Financial assets		
Cash and cash equivalents	5,635,577	7,872,957
Trade and other receivables	16,449	44,000
Term deposit investments	121,109	115,977
	<u>5,773,135</u>	<u>8,032,934</u>
Financial liabilities		
Trade and other payables	<u>476,053</u>	<u>228,978</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 18. 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			
	2024		2023	
	Carrying amount	Interest rate	Carrying amount	Interest rate
	\$	%	\$	%
Variable rate instruments				
Cash and bank balances	5,635,577	4.22	7,872,957	3.90
Fixed rate instruments				
Term deposit investments	121,109	4.54	115,977	4.50

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") 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 2023.

	Equity		Profit or loss	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2024: Consolidated				
Variable rate instruments	56,536	(56,536)	56,536	(56,536)
30 June 2023: Consolidated				
Variable rate instruments	78,730	(78,730)	78,730	(78,730)

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 premiums of \$34,174 (2023: \$47,624) which are payable in monthly instalments at a flat interest rate of 7.88%. The final instalment is due 31 December 2024.

(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 FOR THE YEAR ENDED 30 JUNE 2024

NOTE 18. 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 2024: 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	445,467	-	-	-	445,467
Interest bearing	5,098	10,195	15,293	-	30,586
	450,565	10,195	15,293	-	476,053

30 June 2023: 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	192,999	-	-	-	192,999
Interest bearing	5,140	10,280	20,559	-	35,979
	198,139	10,280	20,559	-	228,978

(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 energy ink cell 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 FOR THE YEAR ENDED 30 JUNE 2024

NOTE 18. 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 balance date expressed in Australian dollars are as follows:

	Liabilities		Assets	
	2024	2023	2024	2023
Consolidated	\$	\$	\$	\$
New Zealand dollars	3,157	6,300	26,852	6,123

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.

	Increase		Decrease	
	2024	2023	2024	2023
	\$	\$	\$	\$
NZD impact				
Profit or loss (i)	2,370	18	(2,370)	(18)
Other equity	2,370	18	(2,370)	(18)

- (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 FOR THE YEAR ENDED 30 JUNE 2024

NOTE 19. 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 and are payable.

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer, relinquishment or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

	CONSOLIDATED	
	2024	2023
	\$	\$
Within one year	215,000	546,836
Later than one year but not later than 5 years	860,000	2,187,344
	<hr/>	<hr/>
	1,075,000	2,734,180
	<hr/>	<hr/>
b) Office lease commitments		
Within one year	4,515	30,232
Later than one year but not later than 5 years	-	-
	<hr/>	<hr/>
	4,515	30,232
	<hr/>	<hr/>

NOTE 20. SEGMENT INFORMATION

The Group is managed primarily on the basis of its exploration projects (resource segment) and research and development of the energy ink cell and robotics and AI solutions (technology segment). Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating tenements and permits where the tenements and permits are considered to form a single project. This is indicated by:

- having the same ownership structure;
- exploration being focused on the same mineral or type of mineral;
- exploration programs targeting the tenements and permits as a group, indicated by the use of the same exploration team, and shared geological data, knowledge and confidence across the areas; and
- shared mining economic considerations such as mineralisation, metallurgy, marketing, legal, environmental, social and government factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 20. SEGMENT INFORMATION (CONTINUED)

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.

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.

	Resources	Technology	Unallocated (Corporate)	Total
Consolidated	\$	\$	\$	\$
Year ended 30 June 2024:				
Segment revenue & other income	40,311	464,480	289,376	794,167
Segment result	48,642	(1,697,937)	(937,919)	(2,587,214)
Included within segment revenue & result:				
Contract revenue	-	68,587	-	68,587
R&D tax offset	39,577	391,909	-	431,486
Depreciation	-	(11,688)	(13,436)	(25,124)
Interest income	733	3,985	264,925	269,643
Segment assets	129,890	184,546	5,688,654	6,003,090
Segment liabilities	15,430	313,413	292,889	621,732

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 20. SEGMENT INFORMATION (CONTINUED)

	Resources	Technology	Unallocated (Corporate)	Total
Consolidated	\$	\$	\$	\$
Year ended 30 June 2023:				
Segment revenue	523	744,766	109,470	854,759
Segment result	(274,687)	(1,189,552)	(998,108)	(2,462,347)
Included within segment revenue & result:				
Contract revenue	-	15,000	-	15,000
R&D tax offset	-	721,136	-	721,136
Depreciation	-	(10,059)	(12,674)	(22,733)
Interest income	523	1,803	109,470	111,796
Segment assets	144,979	434,045	7,702,137	8,281,161
Segment liabilities	11,296	135,065	183,505	329,866

NOTE 21. 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 \$	
		2024	2023	2024	2023
Maria Resources Pty Ltd	Australia	100	100	1	1
Cognition Engines 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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 21. RELATED PARTY DISCLOSURES (CONTINUED)

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.

Enbit Pty Ltd, an entity related to Elliott Nicholls, a Director of the Company for IT services was engaged by the Group during the year. Enbit received a total of \$1,200 plus GST (2023: \$nil). There were no amounts outstanding between Enbit and the consolidated entity at 30 June 2024 (2023: \$nil).

NOTE 22. PARENT ENTITY INFORMATION

As at, and throughout, the financial year ending 30 June 2024 the parent company of the Group was Strategic Elements Limited.

Financial position of Parent entity at year end

	30 June 2024	30 June 2023
	\$	\$
Assets		
Current assets	5,672,274	7,674,308
Non-current assets	1,974	460,492
Total assets	5,674,248	8,134,800
Liabilities		
Current liabilities	289,480	183,505
Non-current liabilities	3,410	-
Total liabilities	292,890	183,505
Equity		
Issued capital	30,070,267	30,070,267
Retained earnings	(24,753,595)	(22,166,381)
Reserves	-	-
Share-based payments	64,686	47,409
Total equity	5,381,358	7,951,295

Financial performance of Parent entity for the year

	Year ended 30 June 2024	Year ended 30 June 2023
	\$	\$
Loss for the year	(2,587,214)	(2,462,347)
Other comprehensive income	-	-
Total comprehensive loss	(2,587,214)	(2,462,347)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 23. CONTINGENT LIABILITIES

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

NOTE 24. RELATED PARTY TRANSACTIONS

(a) Details of Key Management Personnel

Directors

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

Key management personnel compensation

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

	CONSOLIDATED	
	Year ended 30 June 2024	Year ended 30 June 2023
	\$	\$
Short term benefits	781,000	781,000
Equity benefits	64,686	-
Total	<u>845,686</u>	<u>781,000</u>

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTE 24. DIRECTORS' AND EXECUTIVES' DISCLOSURES (CONTINUED)

(c) Performance Rights holdings of Key Management Personnel

30 June 2024	Balance at beginning of year	Granted as remuneration	Converted during the year	Balance at end of year	Vested	Not vested
	No.	No.	No.	No.	No.	No.
Directors						
Charles Murphy	-	2,000,000	-	2,000,000	-	2,000,000
Matthew Howard	-	2,000,000	-	2,000,000	-	2,000,000
Elliot Nicholls	-	2,000,000	-	2,000,000	-	2,000,000
Total	-	6,000,000	-	6,000,000	-	6,000,000

30 June 2023	Balance at beginning of year	Granted as remuneration	Converted during the year	Balance at end of year	Vested	Not vested
	No.	No.	No.	No.	No.	No.
Directors						
Charles Murphy	-	-	-	-	-	-
Matthew Howard	-	-	-	-	-	-
Elliot Nicholls	-	-	-	-	-	-
Total	-	-	-	-	-	-

NOTE 25. EVENTS SUBSEQUENT TO REPORTING DATE

On 10 July 2024 the Company issued 21,875,000 shares at an issue price of \$0.04 per share to raise \$875,000 before issue costs. Each share issued will come with a free attaching unlisted option which can be exercised at a price of \$0.06 per option and will expire on 16 August 2027.

The purpose of this small strategic capital raise is to ensure the Company has more than 2 years of funds available to provide surety to investors and potential partners that it can provide funding to its projects.

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.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Strategic Elements Limited	Body corporate	Australia	100%	Australia
Stealth Technologies Pty Ltd	Body corporate	Australia	100%	Australia
Strategic Materials Pty Ltd	Body corporate	Australia	100%	Australia
Maria Resources Pty Ltd	Body corporate	Australia	100%	Australia
Cognition Engines Pty Ltd	Body corporate	Australia	100%	Australia
Australian Advanced Materials Pty Ltd	Body corporate	Australia	100%	Australia

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- 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
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

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

On behalf of the directors



Charles Murphy
Managing Director
Perth WA
28th August 2024

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report, of Strategic Elements Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement 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 2024 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 Responsibility 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.

Advisory. Tax. Audit.

ACN 145 447 105

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Key audit matter	How our audit addressed the key audit matter
<p>Funding and liquidity Refer to note 1(a)</p> <p>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 perform research and development in the field of technology and to explore for gold and copper minerals.</p> <p>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.</p> <p>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.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Assessing the Group's working capital position as at 30 June 2024; Vouching the cash and cash equivalents to supporting documentation; Checking the mathematical accuracy of the cashflow forecast prepared by management; Evaluating the reliability and completeness of management's assumptions by comparing them to our understanding of the Group's future plans and operating conditions; Obtaining an understanding of management's cashflow forecast and evaluating the sensitivity of assumptions made by management; Considering 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; and Assessing the adequacy of the disclosures included in the financial report.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Strategic Elements Limited's annual report for the year ended 30 June 2024 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:

- a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the 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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf.

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 15 of the Directors' Report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Strategic Elements Limited for the year ended 30 June 2024 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.

N.P.A.S.

Nexia Perth Audit Services Pty Ltd



Muranda Janse Van Nieuwenhuizen

Director

28 August 2024

Perth, Western Australia

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Additional information required by the ASX Limited and not shown elsewhere in this report is as follows. This information is current as at 20 August 2024.

1) Substantial shareholders

The Company has no substantial shareholders.

2) Information on equity security classes

a) Ordinary Shares

468,808,437 fully paid ordinary shares are held by 8,709 shareholders. All issued shares carry one vote per share and carry the rights to dividends.

The number of shareholders by size of holding:

Ordinary shares

	<u>Number of holders</u>	<u>Number of shares</u>
1 - 1,000	647	409,174
1,001 - 5,000	2,653	7,528,724
5,001 - 10,000	1,529	12,511,391
10,001 - 100,000	3,128	108,792,343
100,001 and over	752	339,566,805
Totals	8,709	468,808,437

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

b) Options and Performance Rights on issue:

	Units	Ordinary shares	 Holders
Performance Rights	6,000,000		3
Options	25,375,000		21

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ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

3) Top 20 shareholders

The twenty largest holders of quoted equity securities are:

Rank	Holder Name	Holding	% IC
1	ROBINIA PARTNERS PTY LTD <GIRAFFE CM A/C>	10,142,567	2.16%
2	MATTHEW HOWARD <HOWARD FAMILY A/C>	7,259,192	1.55%
3	MRS WEI PAN	6,500,000	1.39%
4	MR TONY JOHN LAMBERT & MRS SHANE LAMBERT <CAMBRIDGE SUPER FUND A/C>	6,152,511	1.31%
5	EMNET PTY LTD	5,849,048	1.25%
6	MR ANTHONY ROBERTS	5,064,126	1.08%
7	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT> STEVEN MURPHY ELECTRICAL CONTRACTORS PTY LTD <SRM SUPER FUND A/C>	4,749,920	1.01%
8	MR ANDREW KANG	4,588,657	0.98%
9	MR ANDREW KANG	4,329,149	0.92%
10	MR DAVID ANTHONY BARNAO	4,242,366	0.90%
11	CATHARA MANAGEMENT PTY LTD <SAGE HOLDINGS A/C>	3,750,000	0.80%
12	ATEQ INVESTMENTS PTY LTD	3,401,714	0.73%
13	YANBIAN PTY LTD	3,335,714	0.71%
14	FINCLEAR SERVICES PTY LTD <SUPERHERO SECURITIES A/C>	2,849,791	0.61%
15	FEAR GOD PTY LTD <PEACEFUL TREASURE SF A/C>	2,319,048	0.49%
16	MR BERTRAND LALANNE	2,300,000	0.49%
17	MR DAVID HAN SHEN LIM	2,290,849	0.49%
18	GRANBOROUGH PTY LTD <AJ & J KING S/F A/C>	2,200,000	0.47%
19	MADORA VIEW PTY LTD <THOMAS FAMILY SUPER FUND A/C>	2,060,000	0.44%
20	DYNAMIC PHOTOGRAPHY PTY LTD	2,000,000	0.43%
20	MR GANG XIONG ZHENG	2,000,000	0.43%
	Totals	87,384,652	18.64%
	Total Issued Capital	468,808,437	100.00%

4) On-Market Buy Back

At the date of this report, the Company is not involved in an on-market buy back.

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