Annual Report
30 June 2023

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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Level 20, 1 William Street
Perth WA 6000

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

Securities Exchange Listing
ASX Limited
ASX Code: SOR

Share Register
Automic Group
Level 5, 191 St George's Terrace
Perth WA 6000
Tel: 1300 288 664
www.automicgroup.com.au

Directors

Your directors have pleasure in submitting their report, together with the financial statements on the consolidated entity (referred to hereafter as the "consolidated entity" or the "Group") consisting of Strategic Elements Limited (referred to hereafter as the "Company, "Strategic Elements" or "parent entity") and the entities it controlled at the end of, or during the year ended 30 June 2023.

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

Charles Murphy

Managing Director 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 on IP development, strategy, business development, transaction structuring and capital raising. Mr Murphy is a qualified responsible Fund Manager and has a Masters Degree in Business Administration (MBA).

Mr Murphy is not currently a director of any other Australian listed company and has not held any other directorships in listed companies during the last 3 years.

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

Matthew Howard

Executive Director and Company Secretary

Mr Howard has consulted to some of the largest financial institutions including Goldman Sachs, JB Were, Macquarie Bank, ANZ Bank and National Australia Bank. He has helped close numerous large technology transactions with some of the largest US technology companies including Oracle, Sybase and BEA Systems. Mr Howard has a combined Business and Information Technology Bachelor Degree, a Masters Degree in Applied Finance and a postgraduate qualification in Corporate Governance.

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

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	9,285,714	-
M Howard	7,259,192	-
E Nicholls	7,449,048	-

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).

REVIEW OF OPERATIONS

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 ATO 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 partner to escalate commercialisation.
- Collaborations with research organisations provide potential access to hundreds of millions in dollars of technical infrastructure and equipment.
- Federal Government Research and Development Rebate (cash back) significantly reduces cash impact on shareholders.
- The Company seeks returns through a trade sale or listing of a venture, a licensing deal or income generated from a particular venture.

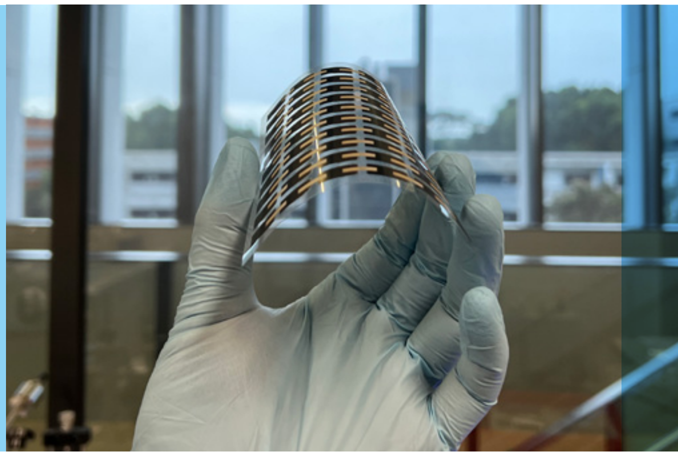
PDFs are venture capital funds registered under the Pooled Development Funds Act 1992. The Pooled Development Fund programme aims to increase investment into innovative early-stage Australian ventures.

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.

energy ink™

POWERED BY MOISTURE™

Development of the Energy Ink™ technology was the priority focus for the Company during the year.



Australian Advanced Materials (AAM) (100%)

During the period, Strategic Elements Ltd reported multiple successful developments in the Energy Ink™, a revolutionary new power source that generates electrical energy from moisture in the air. Printed, environmentally friendly Energy Ink™ cells that generate energy from airborne water molecules can potentially directly power a device, complement a battery by extending device life or provide energy for battery storage.

Notwithstanding the normal technology investment risks associated with breakthrough discoveries, the Company believes the potential benefits of the Energy Ink™ are too great to ignore. The Energy Ink™ generates energy from moisture, a green, readily available source and uses safe, non-flammable, and environmentally friendly materials. Importantly, Energy Ink™ cells do not require sunlight and can generate energy indoors or at night. As they are ultra-thin and light, there is the potential to layer many cells vertically (as opposed to single-layers like solar panels), dramatically increasing the energy generated from a much smaller footprint and creating the potential for mobility.

Skin Patch and Wearables

During the period, advances were achieved in materials engineering and power management, targeting the rapidly growing USD 10 billion Electronic Skin Patch market[1]. Challenges in improving the material's efficiency, durability, and other performance characteristics are being addressed by manipulating the fundamental properties of materials. Electrical charge capacity is increasing from microamps to milliamp-hours and ampere-hours from hours to days and months.

The Perth Engineering Lab utilised a new power management system to modulate and control the output voltage whilst emulating the load of a leading Continuous Glucose Monitoring (CGM) skin patch. CGM patches are just one segment of the overall Electronic Skin Patch market that provide sports, health and other information from devices attached to the human body. Printed/flexible electronics are exceptionally well suited to wearable skin patches due to their low weight, flexibility/conformality, and potential for high-throughput, low-cost manufacturing of these disposable items.

Innovative work at UNSW laboratories in printed electrode design, nanoengineering and integration of various functional materials significantly upgraded the ability of the Energy Ink™ to produce a highly stable output voltage from moisture. An ultra-stable, highly controlled output voltage demonstrated the stability to power sensitive digital electronics such as CPUs, memory and wireless communications. Testing showed a further 225% increase in power output, and importantly, for the first time, an ultra-stable output voltage was demonstrated from moisture. Stable output voltages are critical to power the sensitive electronic circuits contained in many electronic devices, enabling them to perform more reliably and without error. It is

[1] IDC : Electronic Skin Patches 2021-2031

unusual to demonstrate such a stable output voltage this early in the development of new battery technology.

Further activities included the successful design and fabrication of programmable load simulators, which increase the data available to the engineering team, speed up testing and drive optimisation of the technology. Millions of data points have now been collected for use in engineering and to form a future databank for discussions with OEM manufacturers. Utilising data from programmable load simulators and other sources, a simple power management system revealed an over 500% increase in power density per square centimetre.

A smaller device (with power management) with one-quarter of the area could generate over five times the power output of the larger device (without power management) for the same load. Power management systems were proven to have the potential to increase the performance of an Energy Ink™ power solution dramatically. Due to the value being unlocked through load simulators and power management, the team is expanding on this work with the goal of further significant increases in performance.

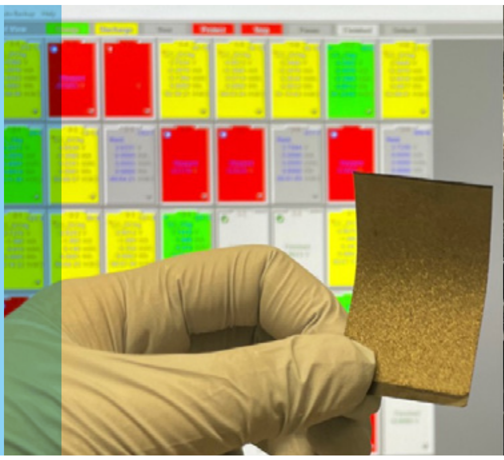
Subsequent to the period, a focused work program was conducted to nano-engineer a range of previous discoveries in fundamental moisture-to-energy mechanisms into an electronic ink formula. The ink formula was also significantly altered to enable ultra-thin layers to be screen printed. This presented a technical challenge as ultra-thin layers in a cell are liable to suffer from short circuit. However, an innovative method reduced the thickness of the graphene oxide functional layer to just ~20 microns without short-circuiting the approx. 200-micrometre cell. An ultra-thin power supply is highly regarded by device manufacturers as it enables their electronic devices to be even thinner. An upgraded Energy Ink™ cell for electronic skin patches incorporating the above enhancements is under fabrication.

Larger Scale Energy Systems

The team has consistently identified multiple avenues that increase performance during the year. New methods of fabricating Energy Ink™ cells were discovered, and development during the period opened an R&D pathway for larger-scale systems through cell packs with multiple cells connected or larger cell sizes.

The Energy Ink™ cell size area was increased to 64cm^2 and then to 100cm^2 to test whether Energy Ink™ cell power output increases as the physical size of the cell increases. The 100cm^2 cell included some (but not all) of the technological breakthroughs made by the team since the beginning of the year. The investigation into whether Energy Ink™ cells generate more electrical charge as they increase in size was successful, with a single 100 cm^2 Energy Ink™ cell generating over 1400 mAh of electrical charge.

The team also investigated the ability to increase total capacity by connecting multiple cells to form a cell pack. The team fabricated and tested six (36 cm^2) cells connected in parallel, which



demonstrated the ability to sustain a high current draw for an extended period. Over the 14-day testing period, the cell pack successfully generated more than 2.4 Ah (2400 mAh) of charge.

Further successful nanoionics materials engineering created a step-change in the ability to convert moisture in the air to electrical energy. The development resulted in significant technological breakthroughs covered by multiple patent applications. By leveraging breakthroughs in the fundamental mechanisms that convert moisture to energy and integrating these into nanoionic inks, the Energy Ink™ technology has achieved over 200x the power density of other relevant published moisture electricity generation technologies. These advances provided confidence to move forward with assessing R&D pathways to larger-scale systems.

Due to the ongoing success, AAM commenced the development of a prototype Energy Ink™ cell designed for renewable energy generation. Potential market entry is focused on where solar or grid energy is impractical or too expensive. The Energy Ink™ is still in development, and the fundamental upper limit of aspects such as maximum power output, duration and energy density remains unknown. AAM selected to initially focus on testing the potential maximum power density of the material properties. The program's short-term goal is to develop a prototype cell demonstrating a peak power density of >20mW per cm^2 (exceeding solar) in Q3 2024.

The power density investigation is part of a broader development program to test the technology's upper energy generation limits. This program includes stacking ultra-thin cells into an **Energy Ink™ 'Cube'**. As with the cell for sensors, the team will seek to rapidly advance initial low performance characteristics such as efficiency, durability, and other features through material selection and manipulation. Challenges in scaling up, electrode configuration and device fabrication will no doubt need to be overcome.. However, the potential to surmount these challenges increases as development advances. The initial application of **coupling an Energy Ink™ Cube with a 3rd party battery** allows renewable energy to be stored and released (or dispatched) on demand.

Summary of potential renewable energy features:	
• Renewable green energy	• Position in a cabinet indoors or outdoors
• Utilises free, limitless ambient moisture	• Avoid expensive grid infrastructure
• Generate energy both day and night	• Much smaller footprint
• Portability, lightweight, flexible materials	• Printable materials reducing time and cost

Stealth Technologies Pty Ltd (Stealth) (100%)

Stealth is conducting multiple activities in autonomous technology and artificial intelligence.

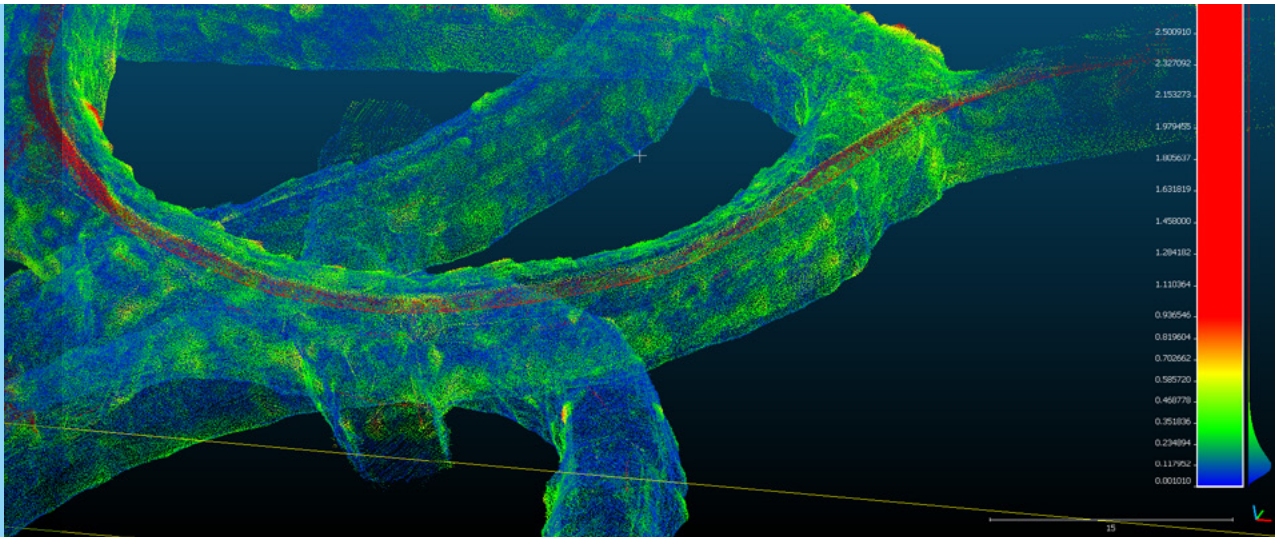
Stealth has an agreement with global Fortune 100 software-industrial company Honeywell to develop autonomous security vehicles for the security industry. Stealth's first-generation Autonomous Security Vehicle (ASV) seamlessly integrates into the prison's security management platform and can autonomously 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 world's first ASV has completed thousands of advanced Perimeter Intrusion Detection Systems operational tests at a Western Australian prison facility. This included autonomous operational tests on the high-security fence sensor system, autonomous operational tests on perimeter photo-electric beam detectors, autonomous operational tests on buried electromagnetic cable detectors and autonomous operational tests on advanced microwave motion sensors. Whilst autonomously testing and patrolling the secure perimeter, the ASV successfully fed hundreds of hours of mobile HD surveillance video to the prison's Patrol Control Centre.

Under the agreement, Honeywell is responsible for identifying, engaging, and maintaining customer relationships, procuring access to customer facilities, processing fees and entering into and maintaining agreements with customers to facilitate ASV Pilot Deployments. Subsequent to the period, Stealth received $44,000 in August 2023 from Honeywell in relation to the ASV.

Stealth engineers have continued to work closely with AAM and UNSW by performing additional testing on devices at the Perth laboratory and developing power management solutions to work with the prototype Energy Ink™ cells. Multiple Stealth staff have PhD and Masters level qualifications as well as industry experience in electronic engineering, electronic devices, EV charging and AI. AAM formally commenced a broader collaborative working relationship with Stealth Technologies during the quarter.

During the year, Stealth also continued to develop an AI-powered solution to increase mine throughput and productivity. The prototype was developed with support from a major mining company with data collected live underground from operational mining environments. Stealth will seek to validate both hardware and software that contains significantly enhanced features during **Q4 2023.**



Cognition Engines (CE) (100%)

During the last 12 months, Cognition Engines further developed designs and technologies to transform conventional datasets utilising advanced AI techniques and developed proprietary designs. During the period Cognition Engines commenced developing early-stage use cases. Michael Counsel is engaged to provide CTO and other services to Cognition Engines and Strategic Elements ventures. Michael spent 20 years with Oracle Corporation (USD 316 Billion market cap), where he held senior positions, including Group Vice President and Chief Technology Officer Asia Pacific and Director of Enterprise Architecture.

Maria Resources Pty Ltd (Maria) (100%)

Maria focuses on applying innovative, scientific geological models to unexplored terrains. It is currently focused on the underexplored Madura Province (Nullarbor, WA), seeking critical metals (e.g. Rare Earths, Nickel, Copper, Gold, PGE) used in batteries and other advanced technologies. During the period, Maria reviewed the Leviathan Project, where a large unexplained gravity anomaly is surrounded by a field of up to 100 inferred volcanic pipes[2]. Maria is targeting the gravity anomaly for rare earths, copper, or gold related to an alkaline system (e.g carbonatite, IOCG).

Maria is collaborating with Dr Franco Pirajno, who has multiple peer-reviewed publications specifically on carbonatites and rare earths. In the last 25 years, he has worked extensively in Western Australia's Proterozoic terranes with GSWA. He is responsible for identifying a carbonatite complex in Western Australia and was instrumental in discovering a new large Australian igneous province. In industry, Dr Pirajno has worked in mining and exploration with Anglo-American Corp of South Africa for 19 years in Africa, Australia, SW Pacific and New Zealand and was an Exploration Manager for Anglo-American Corporation of South Africa Ltd in the South West Pacific.

With funds received from the WA government Exploration Incentive Scheme and other incentives packaged into the project, Maria has successfully reduced the potential net drilling cost from $480,000 to approx. $160,000. The highly underexplored Madura Province is experiencing increased activity from leading companies, including Rio Tinto, BHP Nickel West, Chalice Gold Mines (under JV with Sensore) and WA1 Resources. Maria will drill a reconnaissance hole to test the geology of the gravity anomaly in **Q4 2023.** Post-drilling the reconnaissance geological hole, partnering may be the optimal strategy, enabling a priority focus on AAM.

Risks disclosure

Research and Development

The Company's future success is dependent on the successful research and development of the Energy Ink™ technology in Australian Advanced Materials and research and development in Stealth Technologies. The Company 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 institution and utilises overseas capability where required.

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

[2] SOR ASX Release : 15/10/2019

parties. The Company manages these risks by filing patents frequently, managing publication requests, 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. At the date of this report, the Company remains registered and compliant Pooled Development Fund and is unaware of any information that would affect the Company's 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 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 multiyear research contracts for key researchers.

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.

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.

Corporate

On 20 February 2023 the Company announced a Share Purchase Plan (SPP) with a target to raise $1,000,000. Demand for the offer was very strong with a total of $6,708,650 being received in total applications. The Company elected to accept a total of $5,850,000 in applications. Subsequently, on 9 March 2023 a total of 56,053,546 shares were issued at an issue price of $0.105 per share.

The purpose of the offer was to fund an Energy Ink™ grant with the University of New South Wales under consideration from the Federal Government. The cash consideration required from subsidiary AAM, if successful, is $800,000. Funds raised will also be used in part for AAM's existing active development program to power wearable devices and R&D pathways for larger-scale Energy Ink™ systems.

The total expense recognised in the year for share-based payments in respect of performance rights already granted is $31,739 (2022: $255,670).

Operating result for the year

Financial Position

The consolidated financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group reported a net loss for the year ended 30 June 2023 of $2,462,347 (2022: $3,465,939) and a cash outflow from operating activities of $2,697,934 (2022: $3,085,121). The Group had cash and term deposit balances of $7,988,934 at 30 June 2023 (June 2022: $4,823,717). The loss mainly reflects product development costs, salary, corporate, regulatory and contractor costs as a result of the Group's focus on research and development activities.

Based on the Group's working capital surplus at 30 June 2023 and in particular its cash balance of $7,988,934, the Directors are satisfied that the Group will have access to sufficient cash to fund its forecast expenditure for a period of at least twelve months from the date of signing this report. Accordingly, the Directors consider that the entity the going concern basis of preparation to be appropriate.

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

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.

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 2023. 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.

Performance Rights Plan

Under the terms of the Company's Performance Rights Plan, the Board may offer 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. The maximum number of performance rights to be issued under the Plan at any one time is 5% of the total number of shares on issue in the Company provided that the Board may increase this percentage, subject to the Corporations Act and the ASX listing rules.

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

Executive Service Agreements

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.

REMUNERATION REPORT (Audited) (continued)

Table 1: Remuneration of key management personnel (KMP) for the year ended 30 June 2023 and the year ended 30 June 2022:

		Short-term employee benefits		Post-employment benefits	Equity		Total	Performance Related %
		Fixed Salary & fees $	Variable remuneration $	Superannuation $	Performance Rights Shares $	Options $	$	
Executive directors								
Charles Murphy	2023	282,000	25,000	-	-	-	307,000	-
	2022	282,000	25,000	-	-	-	307,000	-
Matthew Howard	2023	212,000	25,000	-	-	-	237,000	-
	2022	212,000	25,000	-		-	237,000	-
Elliot Nicholls	2023	212,000	25,000	-	-	-	237,000	-
	2022	212,000	25,000	-	-	-	237,000	-
Total executive directors	2023	706,000	75,000	-	-	-	781,000	-
	2022	706,000	75,000	-	-		781,000	

Share-based payments

Performance Rights

There were no Performance Rights issued during the year (2022: 2,000,000).

There were no Performance Rights converted to shares during the year (2022: 1,500,000).

No Performance Rights vested or expired during the year.

Ordinary shares

During the year no shares were issued to staff as renumeration (2022: 1,000,000 at fair value of $240,000 being the closing share price on the grant date).

The total expense recognised in the year for share-based payments is $31,739 (2022: $255,670).

---END OF REMUNERATION REPORT---

Directors' meetings

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

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

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

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, Nexia Perth Audit Services Pty Ltd (Nexia Perth), to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 17 and forms part of this directors' report for the year ended 30 June 2023.

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) - $3,500 (2022: $3,500).

Tax fees paid to Nexia Perth $2,120 (2022: $nil).

Signed in accordance with a resolution of the directors.

Charles Murphy
Managing Director
Perth WA, 30th August 2023

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

To the directors of Strategic Elements Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2023 there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

NPAS
Nexia Perth Audit Services Pty Ltd

M. Janse Van Nieuwenhuizen
Director

Perth
30 August 2023

Advisory. Tax. Audit

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

		CONSOLIDATED	
		2023	2022
Continuing operations	**Notes**	**$**	**$**
Contract revenue	2 (a)	15,000	184,500
Cost of sales of goods		-	-
Gross profit		**15,000**	**184,500**
Other income	2(b)	727,963	471,354
Depreciation	2(c)	(22,733)	(19,577)
Insurances		(102,229)	(77,908)
Marketing		(70,484)	(106,422)
Professional fees		(155,126)	(140,661)
Project development expenditure		(923,623)	(1,206,272)
Regulatory & compliance		(217,332)	(170,568)
Remuneration	23(b)	(781,000)	(781,000)
Other employees' costs		(772,798)	(862,611)
Rent & outgoings		(55,218)	(57,565)
Share-based payments	10	(31,739)	(255,670)
Other expenses		(181,411)	(439,722)
Operating loss		**(2,570,730)**	**(3,462,122)**
Foreign exchange losses		(1,101)	(2,363)
Interest received	2(d)	111,796	1,334
Interest expense	2(d)	(2,312)	(2,788)
		108,383	(3,817)
Loss before income tax		**(2,462,347)**	**(3,465,939)**
Income tax expense	3	-	-
Loss for the year		(2,462,347)	(3,465,939)
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		**(2,462,347)**	**(3,465,939)**
Basic and diluted loss per share (cents per share)	4	(0.60)	(0.89)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

		CONSOLIDATED	
		2023	2022
	Notes	$	$
Assets			
Current assets			
Cash and cash equivalents	5	7,872,957	4,708,028
Trade and other receivables	6	116,775	102,491
Term deposit investments	7	115,977	115,689
Other current assets	8	130,223	69,216
Total current assets		**8,235,932**	**4,995,424**
Non-current assets			
Property, plant and equipment	9	45,229	65,268
Total non-current assets		**45,229**	**65,268**
Total assets		**8,281,161**	**5,060,692**
Liabilities			
Current liabilities			
Trade and other payables	11	244,312	429,505
Provisions	12	85,554	114,841
Total current liabilities		**329,866**	**544,346**
Total liabilities		**329,866**	**544,346**
Net assets		**7,951,295**	**4,516,346**
Equity			
Issued capital	14	30,070,267	24,204,710
Share-based payments reserve	15	47,409	15,670
Accumulated losses	16	(22,166,381)	(19,704,034)
Total equity		**7,951,295**	**4,516,346**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Issued capital $	Accumulated losses $	Share-based payments reserve $	Total $
Consolidated					
Balance at 1 July 2021		23,938,688	(16,238,095)	26,022	7,726,615
Loss for the year		-	(3,465,939)	-	(3,465,939)
Total comprehensive loss for the year		-	(3,465,939)	-	(3,465,939)
Conversion of PRs		26,022	-	(26,022)	-
Share-based payments	10	240,000	-	15,670	255,670
Balance at 30 June 2022		**24,204,710**	**(19,704,034)**	**15,670**	**4,516,346**
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	10	-	-	31,739	31,739
Balance at 30 June 2023		**30,070,267**	**(22,166,381)**	**47,409**	**7,951,295**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

		CONSOLIDATED	
		2023	2022
	Notes	$	$
Cash flows from operating activities			
Receipts from customers		15,000	205,400
Receipts from Government Grants/Incentives		721,136	471,354
Payments to suppliers		(652,941)	(1,017,076)
Payments to directors & employees		(1,808,922)	(1,528,707)
Payments for project development		(1,001,768)	(1,166,165)
Payments for leases		(55,734)	(46,929)
Interest received		87,607	1,347
Interest paid		(2,312)	(4,345)
Net cash used in operating activities	5	(2,697,934)	(3,085,121)
Cash flows from investing activities			
Transfer to term deposit investment		-	(288)
Payments for property, plant and equipment		(2,694)	(16,566)
Net cash used in investing activities		(2,694)	(16,854)
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		5,865,557	-
Net increase/(decrease) in cash and cash equivalents		3,164,929	(3,101,975)
Cash and cash equivalents at beginning of the year		4,708,028	7,810,003
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at end of the year	**5**	**7,872,957**	**4,708,028**

The accompanying notes form part of these financial statements.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of compliance and preparation

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

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

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

The accounting policies detailed below have been consistently applied to all of the years presented. The consolidated financial statements of the Company as at and for the year ended 30 June 2023 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 14th August 2023.

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.

Financial Position

The consolidated financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group reported a net loss for the year ended 30 June 2023 of $2,462,347 (2022: $3,465,939) and a cash outflow from operating activities of $2,697,934 (2022: $3,085,121). The Group had cash and term deposit balances of $7,988,934 at 30 June 2023 (June 2022: $4,823,717). The loss mainly reflects product development costs, salary, corporate, regulatory and contractor costs as a result of the Group's focus on research and development activities.

Based on the Group's working capital surplus at 30 June 2023 and in particular its cash balance of $7,988,934, the Directors are satisfied that the Group will have access to sufficient cash to fund its forecast expenditure for a period of at least twelve months from the date of signing this report. Accordingly, the Directors consider that the entity the going concern basis of preparation to be appropriate.

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

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

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

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

The Group has reviewed the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2023. As a result of this review the Group has determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group; therefore, no change is necessary to Group accounting policies.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d. Critical accounting estimates and judgements

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

Share-based payment transactions:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate valuation model and is based on the assumptions detailed in Note 10.

e. Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Strategic Elements Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Strategic Elements Limited and its subsidiaries are referred to in this financial report as the Group or the consolidated entity.

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

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

f. Revenue and other income

Revenue from contracts with customers

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

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

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f. Revenue and other income *(continued)*

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.

Grant funding

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

Other income

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

g. Income tax

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

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the 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.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Income tax *(continued)*

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

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

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

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

Other taxes

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

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

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

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

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

h. Cash and cash equivalents

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

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i. 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.

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.

j. Impairment of assets

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

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

k. Trade and other payables

Trade 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.

l. Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m. Share-based payment transactions

Equity settled transactions:

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options granted is determined using an appropriate valuation model, further details of which are given in Note 10.

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 4).

n. Property, plant and equipment

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

Depreciation is calculated on a 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.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

n. Property, plant and equipment *(continued)*

(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.

o. 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.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p. Trade and other receivables

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

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.

q. Earnings per share

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

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

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

r. Segment reporting

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

s. Parent entity financial information

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

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

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

(ii) Share-based payments

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

NOTE 2. REVENUE AND EXPENSES

	CONSOLIDATED	
	2023	2022
	$	$
(a) Revenue from contracts with customers		
Rendering of services	15,000	184,500
	15,000	184,500
(b) Other income		
Research & development tax offset	721,136	471,354
Refunds	6,827	-
	727,963	471,354
(c) Expenses		
Depreciation of non-current assets	22,733	19,577
	22,733	19,577
(d) Finance Costs		
Bank interest received and receivable	111,796	1,334
Bank interest paid and payable	(2,312)	(2,788)
	109,484	(1,454)

NOTE 3. INCOME TAX

	CONSOLIDATED	
	2023	2022
	$	$
Reconciliation of tax expense to statutory tax:		
Loss for the year	(2,462,347)	(3,465,939)
Tax benefit at the applicable tax rate of 25.00% (2022: 25.00%)	(615,587)	(866,485)
s.40-880 expenses	(21,224)	(20,221)
Permanent differences	16,173	74,536
Change in temporary differences	(46,237)	77,462
Underprovision/(overprovision) of prior year tax losses	(404,384)	(30,878)
Unrecognised tax losses	1,071,259	765,586
Tax expense reported in statement of profit and loss and other comprehensive income	-	-
Unrecognised deferred tax assets:		
Carried forward tax losses	3,633,648	2,966,774
Temporary differences	(46,237)	77,462
Components of deferred tax		
Accrued income	3	23,233
Prepayments	(15,419)	9,951
Accruals	(27,870)	32,620
Provisions	(2,951)	11,657
Tax Losses	3,633,648	2,966,774
Unrecognised deferred tax assets	(3,587,411)	(3,044,235)
	-	-

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:

a) 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.

b) The Group entities comply with the conditions for deductibility imposed by the law; and

c) No changes in tax legislation adversely affect the Group entities in realising the benefit from the deduction for the loss.

NOTE 4. LOSS PER SHARE

	CONSOLIDATED	
	2023	2022
	Cents per share	Cents per share
Basic loss per share from continuing operations	(0.60)	(0.89)
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 ($)	(2,462,347)	(3,465,939)
- Weighted average number of ordinary shares (number)	408,387,026	389,437,425
Diluted loss per share		
Diluted loss per share has not been calculated as the result is anti-dilutive in nature.		

NOTE 5. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2023	2022
	$	$
Cash at bank and on hand	7,891,766	4,715,516
Credit card	(18,809)	(7,488)
	7,872,957	4,708,028

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

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

NOTE 5. CASH AND CASH EQUIVALENTS *(continued)*

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

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

	CONSOLIDATED	
	2023	2022
	$	$
Loss from ordinary activities after income tax	(2,462,347)	(3,465,939)
Depreciation	22,733	19,577
Foreign exchange losses		
Share-based payments	31,739	255,670
Changes in working capital:		
(Increase)/decrease in other receivables	(14,574)	86,513
(Increase)/decrease in other assets	(61,007)	(6,144)
(Decrease)/increase in trade creditors and accruals	(185,192)	(21,425)
(Decrease)/increase in provisions	(29,286)	46,628
Cash flows from operations	(2,697,934)	(3,085,120)

NOTE 6. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2023	2022
	$	$
Interest receivable	23,899	14
Sundry receivable	44,000	44,000
GST recoverable	48,876	58,477
	116,775	102,491

NOTE 7. TERM DEPOSIT INVESTMENT

	CONSOLIDATED	
	2023	2022
	$	$
Term deposit	115,977	115,689

The term deposit investments of $40,602 and $75,375 mature on 14 of May 2024 and 2 June 2024 respectively and attract an interest rate of 4.50%.

NOTE 8. OTHER CURRENT ASSETS

	CONSOLIDATED	
	2023	2022
	$	$
Prepayments	130,223	68,529
Other current assets	-	687
	130,223	69,216

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Research equipment $	Office equipment $	Computer equipment $	Total $
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
At 30 June 2022				
Cost	38,290	38,308	54,823	131,421
Accumulated depreciation	(11,999)	(22,441)	(31,713)	(66,153)
At 30 June 2022	26,291	15,867	23,110	65,268

Consolidated	Research equipment $	Office equipment $	Computer equipment $	Total $
Year ended 30 June 2023				
At 1 July 2022 net of accumulated depreciation	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
Year ended 30 June 2022				
At 1 July 2021	35,863	19,284	13,132	68,279
Additions	-	-	16,566	16,566
Depreciation charge for the year	(9,572)	(3,417)	(6,588)	(19,577)
At 30 June 2022	26,291	15,867	23,110	65,268

NOTE 10. SHARE-BASED PAYMENTS

	CONSOLIDATED	
	2023	2022
	$	$
Performance rights	31,739	15,670
Ordinary shares	-	240,000
	31,739	255,670

Performance rights

There were no Performance Rights (PRs) issued during the year (2022: 2,000,000). The expense for the current year is $31,739 (2022: $15,670).There were no Performance Rights converted to shares during the year (2022: 1,500,000).

No Performance Rights vested or expired during the year:

	2023	2022
Performance Rights	No.	No.
Outstanding at the beginning of the year	2,000,000	1,500,000
Granted during the year	-	2,000,000
Converted during the year	-	(1,500,000)
Outstanding at the end of the year	2,000,000	2,000,000
Vested at the end of the year	-	-

During the year management estimate of the probability of the performance rights granted 1 April 2022 achieving their performance hurdle varied as follows:

Tranche 1	from 50%	to 20%
Tranche 2	from 30%	to 20%
Tranche 3	from 25%	to 20%

The result of the variation in probability is a reduction in the cumulative value of those performance rights from $125,875 to $76,000.

The total expense recognised in the year for share-based payments is $31,739 (2022: $255,670).

NOTE 11. Trade and other payables

	CONSOLIDATED	
	2023	2022
	$	$
Trade payables (i)	123,924	177,902
Accrued expenses	120,388	251,603
	244,312	429,505

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms with the exception of insurance premiums of $47,624 (2022: $33,022) which are payable in monthly instalments at a flat interest rate of 7.92%. The final instalment is due 15 January 2024.

NOTE 12. PROVISIONS

	CONSOLIDATED	
	2023	2022
	$	$
Provision for annual leave	85,554	114,841
	85,554	114,841

NOTE 13. Remuneration of auditors

	CONSOLIDATED	
	2023	2022
	$	$
Amounts received & receivable by the auditor:		
Nexia Perth Audit Services Pty Ltd		
– audit and review of the financial reports of the Group	41,345	36,305
– tax services	2,120	-
– other services	3,500	3,500
	46,965	39,805

NOTE 14. ISSUED CAPITAL

	2023 $	2022 $
Issued capital		
Ordinary shares issued and fully paid	30,070,267	24,204,710

Issued capital as per ASIC returns at 30 June 2023 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.

	2023		2022	
	Number of shares	**$**	**Number of shares**	**$**
Movement in ordinary shares on issue				
At beginning of year	390,879,891	24,204,710	388,379,891	23,938,688
Shares issued for cash	56,053,546	5,885,622	-	-
Shares issued on conversion of PRs	-	-	1,500,000	26,022
Shares issued to staff	-	-	1,000,000	240,000
Share issue costs	-	(20,065)	-	-
At end of year	446,933,437	30,070,267	390,879,891	24,204,710

NOTE 15. RESERVES

	CONSOLIDATED	
	2023 **$**	**2022** **$**
Share-based payment reserve		
Balance at beginning of year	15,670	26,022
Performance rights issued/on issue during the year	31,739	15,670
Performance rights converted during the year	-	(26,022)
Balance at end of financial year	47,409	15,670

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

NOTE 16. ACCUMULATED LOSSES

	CONSOLIDATED	
	2023	2022
	$	$
Movement in accumulated losses:		
Balance at beginning of year	(19,704,034)	(16,238,095)
Loss for the year	(2,462,347)	(3,465,939)
Balance at end of year	(22,166,381)	(19,704,034)

NOTE 17. 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	
	2023	2022
(a) Categories of financial instruments	$	$
Financial assets		
Cash and cash equivalents	7,872,957	4,708,028
Trade and other receivables	44,000	44,013
Term deposit investments	115,977	115,689
	8,032,934	4,867,730
Financial liabilities		
Trade and other payables	228,978	375,070

NOTE 17. FINANCIAL INSTRUMENTS *(continued)*

(b) Interest rate risk

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

Profile

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

	CONSOLIDATED			
	2023		2022	
	Carrying amount $	Interest rate %	Carrying amount $	Interest rate %
Variable rate instruments				
Cash and bank balances	7,872,957	3.90	4,708,028	0.05
Fixed rate instruments				
Term deposit investments	115,977	4.50	115,689	0.25

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 2021.

	Equity		Profit or loss	
	100bp increase	**100bp** decrease	**100bp** increase	**100bp** decrease
30 June 2023: Consolidated				
Variable rate instruments	78,730	(78,730)	78,730	(78,730)
30 June 2022: Consolidated				
Variable rate instruments	47,080	(47,080)	47,080	(47,080)

Funds that are not required in the short term are placed on deposit for a period of no more than 12 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 $47,624 (2022: $33,022) which are payable in monthly instalments at a flat interest rate of 7.92%. The final instalment is due 15 January 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.

NOTE 17. FINANCIAL INSTRUMENTS *(continued)*

(d) Credit risk

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

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

There is no requirement for collateral.

(e) Liquidity risk

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

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

30 June 2023: Consolidated *Financial liabilities*	**Less than 1 month $**	**1 to 3 months $**	**3 months to 1 year $**	**1 to 5 years $**	**Total $**
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

30 June 2022: Consolidated *Financial liabilities*	**Less than 1 month $**	**1 to 3 months $**	**3 months to 1 year $**	**1 to 5 years $**	**Total $**
Non-interest bearing	342,048	-	-	-	342,048
Interest bearing	4,555	9,270	19,197	-	33,022
	346,603	9,270	19,197	-	375,070

(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™ 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.

NOTE 17. FINANCIAL INSTRUMENTS *(continued)*

(g) Foreign currency risk management

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

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

	Liabilities		Assets	
	2023	2022	2023	2022
Consolidated	$	$	$	$
New Zealand dollars	6,300	5,076	6,123	15,856

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	
	2023	2022	2023	2022
	$	$	$	$
NZD impact				
Profit or loss (i)	18	1,078	(18)	(1,078)
Other equity	18	1,078	(18)	(1,078)

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

NOTE 18. COMMITMENTS

a) 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	
	2023	2022
	$	$
Within one year	546,836	546,836
Later than one year but not later than 5 years	2,187,344	2,187,344
	2,734,180	2,734,180
b) Office lease commitments		
Within one year	30,232	3,807
Later than one year but not later than 5 years	-	-
	30,232	3,807

NOTE 19. SEGMENT INFORMATION

The Group is managed primarily on the basis of its exploration projects (resource segment) and research and development of the Energy Ink™ technology 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.

NOTE 19. 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.

Consolidated	Resources $	Technology $	Unallocated (Corporate) $	Total $
Year ended 30 June 2023:				
Segment revenue & other income	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 19. SEGMENT INFORMATION *(continued)*

Consolidated	Resources $	Technology $	Unallocated (Corporate) $	Total $
Year ended 30 June 2022:				
Segment revenue	12	656,081	1,094	657,187
Segment result	(172,432)	(1,760,017)	(1,533,490)	(3,465,939)
Included within segment revenue & result:				
Contract revenue	-	184,500	-	184,500
R&D tax offset	-	471,354	-	471,354
Depreciation	-	(10,059)	(9,518)	(19,577)
Interest income	523	1,803	109,470	111,796
Segment assets	188,844	698,485	4,173,364	5,060,693
Segment liabilities	9,394	272,232	262,720	544,346

NOTE 20. RELATED PARTY DISCLOSURES

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

Name	Country of Incorporation	% Equity Interest 2023	% Equity Interest 2022	Investment $ 2023	Investment $ 2022
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.

NOTE 20. 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 Elliot Nicholls, a director of the Company for IT services was engaged by the Group during the prior year. Enbit received a total of $600 plus GST during the prior year. There were no amounts outstanding between Enbit and the consolidated entity at 30 June 2023 (2022: $nil).

NOTE 21. PARENT ENTITY INFORMATION

As at, and throughout, the financial year ending 30 June 2023 the parent company of the Group was Strategic Elements Limited.

Financial position of Parent entity at year end

	30 June 2023 $	30 June 2022 $
Assets		
Current assets	7,674,308	4,135,553
Non-current assets	460,492	643,512
Total assets	8,134,800	4,779,065
Liabilities		
Current liabilities	183,505	262,719
Total liabilities	183,505	262,719
Equity		
Issued capital	30,070,267	24,204,710
Retained earnings	(22,166,381)	(19,704,034)
Share-based payments	47,409	15,670
Total equity	7,951,295	4,516,346

Financial performance of Parent entity for the year

	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Loss for the year	(2,462,347)	(3,465,939)
Other comprehensive income	-	-
Total comprehensive loss	(2,462,347)	(3,465,939)

NOTE 22. CONTINGENT LIABILITIES

There are no contingent liabilities outstanding at the end of the year (2022: $nil).

NOTE 23. DIRECTORS' AND EXECUTIVES' DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

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

(b) Key management personnel compensation

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

	CONSOLIDATED	
	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Short term benefits	781,000	781,000
Equity benefits	-	-
Total	781,000	781,000

NOTE 23. DIRECTORS' AND EXECUTIVES' DISCLOSURES *(continued)*

(c) Performance Rights holdings of Key Management Personnel

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

30 June 2022	Balance at beginning of year No.	Granted as remuneration No.	Converted during the year No.	Balance at end of year No.	Vested No.	Not vested No.
Directors						
Charles Murphy	750,000	-	(750,000)	-	-	-
Matthew Howard	750,000	-	(750,000)	-	-	-
Elliot Nicholls	-	-	-	-	-	-
Total	1,500,000	-	(1,500,000)	-	-	-

NOTE 24. EVENTS SUBSEQUENT TO REPORTING DATE

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

DIRECTORS' DECLARATION

1. In the opinion of the directors of Strategic Elements Limited (the 'Company'):
   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards and Corporations Regulations 2001, professional reporting requirements and other mandatory requirements;
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

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

Charles Murphy
Managing Director
Dated this 30th day of August 2023

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Strategic Elements Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year then ended; and

ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Funding and liquidity **Refer to note 1(a)** Strategic Elements Limited is a Pooled Development Fund with investments in exploration and information technology companies. The key activities of its investee companies are to explore for gold and copper minerals and to perform research and development in the field of technology. The investees' activities have not yet advanced to a stage where it is able to generate commercial revenue, accordingly the Group is reliant on funding from external sources, such as capital raisings, to support its operations. We focussed on whether the Group had sufficient cash resources and access to funding to allow the Group to continue as a going concern. The adequacy of funding and liquidity as well as the relevant impact on the going concern assessment is a key audit matter due to the inherent uncertainties associated with the future development of the Group's projects and the level of funding required to support that development.	We evaluated the Group's funding and liquidity position at 30 June 2023 and its ability to repay its debts as and when they fall due for a minimum of twelve months from the date of signing the financial report. In doing so, we: • Assessed the Group's working capital position as at 30 June 2023; • Vouched the cash and cash equivalents to supporting documentation; • Obtained an understanding of management's cashflow forecast and evaluating the sensitivity of assumptions made by management; • Checked the mathematical accuracy of the cash flow forecast prepared by management for the 14 month period to 31 August 2024; • Assessed the reliability and completeness of management's assumptions by comparing the forecast cash flows to those of the current and previous years and as well as our understanding of future planned events and operating conditions; and • Considered events subsequent to year end to determine whether any additional facts or information have become available since the date on which management made its assessment.

Other information

The directors are responsible for the other information. The other information comprises the information in Strategic Elements Limited's annual report for the year ended 30 June 2023 but does not include the financial report and the auditor's report thereon.

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

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

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

Directors' responsibility for the financial report

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

Nexia Australia

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

Auditor's responsibility for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 14 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Strategic Elements Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

NPAS

Nexia Perth Audit Services Pty Ltd

M. Janse Van Nieuwenhuizen
Director
Perth
30 August 2023

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 10 August 2023.

1) Substantial shareholders

The Company has no substantial shareholders.

2) Information on equity security classes

a) Ordinary Shares

446,933,437 fully paid ordinary shares are held by 9,670 shareholders. All issued shares carry one vote per share and carry the rights to dividends. 3,361 shareholders had an unmarketable parcel of less than $500 given a share value of 10c.

The number of shareholders by size of holding:

	Ordinary shares	
	Number of holders	**Number of shares**
1 – 1,000	697	450,780
1,001 – 5,000	3,002	8,553,193
5,001 – 10,000	1,732	14,112,388
10,001 – 100,000	3,468	120,532,518
100,001 and over	771	303,284,558
Total	**9,670**	**446,933,437**

b) Options and Performance Rights on issue:

	Ordinary shares	
	Units	**Holders**
Performance Rights	2,000,000	1

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>	9,285,714	2.08%
2	EMNET PTY LTD	7,449,048	1.67%
3	MATTHEW HOWARD	7,259,192	1.62%
4	MR TONY JOHN LAMBERT & MRS SHANE LAMBERT <CAMBRIDGE SUPER FUND A/C>	5,823,334	1.30%
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,238,431	0.95%
6	MR DAVID ANTHONY BARNAO	3,167,366	0.71%
7	ATEQ INVESTMENTS PTY LTD	2,801,714	0.63%
8	MR ANTHONY ROBERTS	2,570,299	0.58%
9	YANBIAN PTY LTD	2,435,714	0.55%
10	FEAR GOD PTY LTD <PEACEFUL TREASURE SF A/C>	2,319,048	0.52%
11	CITICORP NOMINEES PTY LIMITED	2,228,295	0.50%
12	SUPERHERO SECURITIES LIMITED <CLIENT A/C>	2,119,028	0.47%
13	STEVEN MURPHY ELECTRICAL CONTRACTORS PTY LTD <SRM SUPER FUND A/C>	2,088,657	0.47%
14	MRS WEI PAN	2,000,000	0.45%
15	MR WILLIAM DEAN JOHNSTONE	1,874,626	0.42%
16	MR GINO SIROTICH	1,700,000	0.38%
17	JL THINK PTY LTD <THINK S/F A/C>	1,554,037	0.35%
18	MR ANDREW RICHARD JACKSON BALL	1,511,668	0.34%
19	MR JOHN FREDERICK MICHAUX	1,500,172	0.34%
20	GRANBOROUGH PTY LTD <AJ & J KING S/F A/C>	1,500,000	0.34%
	Totals	**65,426,343**	**14.64%**
	Total Issued Capital	**446,933,437**	**100.00%**

4) On-Market Buy Back

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

STRATEGIC
ELEMENTS