STRATEGIC ELEMENTS LIMITED

(ABN 47 122 437 503)

Annual Report

30 June 2017

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CORPORATE INFORMATION

Strategic Elements Limited ABN 47 122 437 503	**Solicitors** Kings Park Corporate Lawyers, Suite 8, 8 Clive Street, West Perth WA 6005
Directors Charles Murphy Matthew Howard Elliot Nicholls	**Auditors** Nexia Perth Audit Services Pty Ltd Level 3, 88 William Street, Perth WA 6000
Company Secretary Matthew Howard	**Securities Exchange Listing** ASX Limited ASX Code: SOR
Registered office 138 Churchill Avenue Subiaco WA 6008 Tel: +61 8 9278 2788 Fax: +61 8 9288 4400 Web: www.strategicelements.com.au	**Share Register** Security Transfer Registrars, 770 Canning Highway, Applecross WA 6153 Tel: +61 8 9315 2333 Fax: +61 8 9315 2233 www.securitytransfer.com.au

Dear Shareholder,

The Company has experienced continued success as an ASX listed Pooled Development Fund (PDF) backing early stage Australian innovation in small and medium Australian companies. We have strategic investments in materials and technology projects and spent much of this year with our heads down assisting to establish these as compelling commercial opportunities in their own right.

Our 100% owned subsidiary Australian Advanced Materials continued to advance its printable Nanocube Memory Ink with the University of New South Wales whilst also attracting two other significant development partners in the CSIRO and VTT Finland (both recognised as world leaders in their respective fields). The team are working towards a global technological breakthrough that would enable whole new product categories and applications though development of memory technology that can be printed onto a variety of surfaces, is flexible and transparent. Meetings were also held as a part of the Printocent collaborative working group that contains large global companies in printed electronics such as Nokia, Merck and BASF.

An enormous amount of work has also been conducted within 100% owned subsidiary Maria Resources assessing the virtually unexplored Officer Basin in Western Australia. The Company has been active in developing a portfolio of permits as it understands more about this vast unexplored area. The Company is working with one of Western Australia's most respected geologists, Dr Franco Pirajno, a senior geologist with the Geological Survey of Western Australia for over 20 years.

The historical high grade Golden Blocks goldfield in New Zealand provides an outstanding opportunity to target high grade gold beneath a historical gold mine that has had no exploration since 1932. The Company is awaiting permit approvals to re-enter the old mine to conduct underground sampling and assessment. The Company has firm plans for further field programs in New Zealand and Australia in the later part of 2017.

In my letter last year, I stressed the importance of the key benefits of the PDF with respect to cross sector diversification, this allows the Company to not be solely focused on a single sector but rather achieve a degree of diversification, ultimately reducing risk for shareholders. The Board continues to carefully consider sector performance to ensure investment capital translates to growth for the Company and its shareholders.

Finally, the Board looks forward to the coming year and appreciates the ongoing support of all of our shareholders.

Charles Murphy
Managing Director

DIRECTORS' REPORT

DIRECTORS' REPORT
Your directors submit the annual financial report of the consolidated entity comprising Strategic Elements Limited and the entities it controlled during the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period.

Names, qualifications and experience:

Charles Murphy – Managing Director & Acting Chairman

Mr Murphy was appointed to the board in October 2006. Mr Murphy is acting Chairman effective from 1 September 2015.

Mr Murphy led the Company's registration as a Pooled Development Fund. Mr Murphy has experience as a corporate advisor to resources and technology companies providing advice on transaction structuring, strategy and business development. 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 companies and has not held any other directorships during the last 3 years.

Matthew Howard – Executive Director and Company Secretary

Mr Howard was appointed to the board in December 2008.

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 companies and has not held any other directorships during the last 3 years.

Elliot Nicholls – Executive Director

Mr Nicholls was appointed to the board in January 2009.

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 companies and has not held any other directorships during the last 3 years.

DIRECTORS' REPORT

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	Number of options over ordinary shares
C Murphy	19,692,969	4,500,000	-
M Howard	5,555,192	4,500,000	-
E Nicholls	9,350,000	-	-

Details of unissued ordinary shares under options issued to employees/consultants of the Company as at the date of this report are as follows:

Options series	Number of options	Exercise price	Expiry date
Employee share options	1,000,000	15 cents	15 May 2018
Employee share options	700,000	16 cents	28 February 2018

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).

DIRECTORS' REPORT
Review of operations

The Company is registered as a registered Pooled Development Fund (PDF) under the Australian Government's Pooled Development Fund Act 1992 ("PDF Act"). The Company invests into small to medium sized Australian companies to assist in the development or expansion of a business.

During the year, the Company has continued to invest and develop its wholly owned investees:

Investee	Sector	Focus
Australian Advanced Material P/L	Technology	Printable Memory
Stealth Mode P/L	Technology	Printable Sensors & Flexible Electronics
Strategic Materials P/L	Resources	Golden Blocks (NZ)
Maria Resources P/L	Resources	Officer Basin (WA)

Technology

The Company, through its investment in Australian Advanced Materials (AAM) is building a Printed and Flexible Electronics business through the development of the Printable Nanocube Memory Ink for Resistive Random Access Memory (RRAM). AAM's Printable Nanocube Memory Ink can be printed onto glass, silicon and plastic substrates such as PET. The printed RRAM is transparent and flexible and can be configured with different electrode materials to deliver working RRAM for printed electronics.

AAM continues to expand on the core technology of the Printable Nanocube Memory Ink with ongoing R&D at UNSW, CSIRO and VTT (Finland).

Over the medium term, AAM and SM continue to assess complimentary technology, applications and IP acquisitions aimed at strengthening the Printable Nanocube Memory Ink technology.

Materials

The Company, through its investments in Strategic Materials (SML) and Maria Resources (MR) has continued to progress the Company's resource projects - Golden Blocks and the Officer Basin.

Golden Blocks: During the period SML was granted an exploration permit (EP) for Golden Blocks, As at the date of this report, the Company is awaiting approval of a Minimal Access Agreement (MIA) from the New Zealand Department of Conservation so it may continue exploration within Golden Blocks. SML has developed programs for further exploration in the New Zealand summer.

Officer Project: The Officer Project is the first project developed in collaboration with world leading geologist Dr Franco Pirajno. Much work has been performed to advance the Office Project during the period, new targets have been identified and will be the focus of forthcoming field programs. The Company will release further updates on fieldwork during the remainder of 2017.

DIRECTORS' REPORT
Review of operations (continued)

Corporate

During the year 700,000 ESOP options were issued to an external consultant of the Company. The unlisted options have an exercise price of 16 cents and an expiry date of 28 February 2018. During the year the Company also issued 3,000,000 unlisted options to the inventors of the nanocube technology. The unlisted options have an exercise price of 17 cents and an expiry date of 26 January 2018. The nanocube technology is being developed by the Company's wholly-owned subsidiary, Australian Advanced Materials Pty Ltd.

Operating result for the year

The consolidated entity's loss for the year ended 30 June 2017 was $2,665,648 (year ended 30 June 2016: $1,637,199).

Review of financial condition

At 30 June 2017, the consolidated entity had $5,095,287 in cash and term deposit balances (30 June 2016: $7,273,194).

Significant changes in the state of affairs

In the opinion of the directors there were no other significant changes in the state of affairs of the consolidated entity that occurred during the year.

Significant events after balance date

Subsequent to the balance date Advanced Australian Materials Pty Ltd, a wholly-owned subsidiary of the Company, has to date received the sum of $63,062 out of a total claim of $139,635 from the Australian Taxation Office in respect of an R&D tax offset for the 2016 financial year.

Other than the above no matters or circumstances have arisen since the end of the 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 breach as this time.

DIRECTORS' REPORT

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, 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 in the year.

DIRECTORS' REPORT
REMUNERATION REPORT (Audited)

This report outlines the remuneration arrangements in place for the key management personnel ("KMP") of Strategic Elements Limited (the "Company") for the financial year ended 30 June 2017. The information provided in this remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent Company

Key Management Personnel

Charles Murphy (Managing Director & Acting Chairman)

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.

DIRECTORS' REPORT
REMUNERATION REPORT (Audited) (continued)

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.

DIRECTORS' REPORT
REMUNERATION REPORT (Audited) (continued)

Employee Share Option Plan

Under the terms of the Company's employee share option plan (Plan), the Board may offer options to Eligible Persons or Directors of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in future and other factors the Board considers relevant. Upon receipt of such an offer, the Eligible Person may nominate an associate to be issued with the options. The maximum number of options 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)
    - Under the agreement the Company will pay up to a maximum of $265,000 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.
    - Under the agreement the Company is not responsible for any statutory taxation or superannuation contributions, these costs are to be met by Mr Murphy.
- Mr Matthew Howard (Director)
    - Under the agreement the Company will pay up to a maximum of $195,000 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.
    - Under the agreement the Company is not responsible for any statutory taxation or superannuation contributions, these costs are to be met by Mr Howard.
- Mr Elliot Nicholls (Director)
    - Under the agreement the Company will pay up to a maximum of $78,000 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.
    - Under the agreement the Company is not responsible for any statutory taxation or superannuation contributions, these costs are to be met by Mr Nicholls.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) (continued)

Table 1: Remuneration of key management personnel (KMP) for the year ended 30 June 2017 and the year ended 30 June 2016:

		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	2017	265,000	-	-	213,116	-	478,116	44.57
	2016	194,000	25,000	-	147,105	-	366,105	47.01
Matthew Howard	2017	190,721	-	-	213,116	-	403,837	52.77
	2016	159,279	25,000	-	147,105	-	331,384	51.94
Elliot Nicholls	2017	34,455	-	-	-	-	34,455	-
	2016	25,000	5,000	-	-	-	30,000	16.67
Total executive	2017	**490,176**	**-**	**-**	**426,232**	**-**	**916,408**	**46.51**
directors	2016	**378,279**	**55,000**	**-**	**294,210**	**-**	**727,489**	**48.00**

***Performance Rights:**

- Performance Rights were approved by shareholders on 16 Nov 2015 and expire two years from this date. As at the date of this report, **despite the expense incurred** for Performance Rights for directors ($426,232), **no shares have been issued to Directors** under the Strategic Elements Performance Rights Plan.
- The majority of Performance Rights hurdles were based on the Company achieving a market capitalisation of $50 million or $60 million within 2 years from 16 Nov 2015. These hurdles have not been achieved as at the date of this report and consequently these Performance Rights have not vested to directors and will expire on 16 Nov 2017.
- 1,500,000 Performance Rights have vested in total.
- No options or Performance Rights granted to directors or executives expired during the year.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) (continued)

Share based payments

Performance Rights

On 16 November 2015 shareholders approved the issue of 9,000,000 Performance Rights (PRs) (and the issue of shares following the vesting of those Performance Rights) under the terms of the Strategic Elements Performance Rights Plan. The issue offer was accepted by Directors on 22 December 2015.

Series 1 of the PRs vest based on continuous employment over a period of 12 months. Series 2, 3 and 4 vest based on continuous employment over a period of 24 months. Series 3 are conditional upon the Company achieving a market capitalisation of $50 million within 2 years of grant date. Series 4 are conditional upon the Company achieving a market capitalisation of $60 million within 2 years of grant date. All vesting of PRs are subject to the above hurdles and the terms and conditions of the Strategic Elements Performance Rights Plan.

The expense recognised during the year for the issue is $426,232 (2016: $294,210).

1,500,000 rights vested during the year. No PRs were exercised or expired during the year.

---END OF REMUNERATION REPORT--

DIRECTORS' 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:

Total number of directors' meetings	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 16 and forms part of this directors' report for the year ended 30 June 2017.

Modification of Auditor Rotation Requirements

On 29 May 2017, the Board of directors granted an approval for the extension of the Group's audit partner for up to a further 2 years when the initial period of 5 years as permitted under Corporations Act 2001 expired in June 2017. The Board's decision was based on the following reasons:

• the Board was satisfied with the skills and personal qualities of the audit partner and the audit team and is of the view that they display a good understanding of the Group and strong technical accounting competence;

• the Board was satisfied that Nexia Perth Audit Services conducts an effective audit with focus on the appropriate areas of risk; and

• the Board was satisfied that the approval of an extension of up to 2 years does not give rise to a conflict of interest situation.

DIRECTORS' REPORT

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) - $2,750 (2016: $2,750)
Other non-assurance services $2,100 (2016: nil)

Signed in accordance with a resolution of the directors.

Charles Murphy
Managing Director
Perth WA, 3rd August 2017

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 2017 there have been:

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

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

Nexia Perth Audit Services Pty Ltd

PTC Klopper
Director

Dated: 3 August 2017
Perth

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED	
		2017	**2016**
	Notes	**$**	**$**
Other income	2	112,154	78,695
		112,154	78,695
Depreciation	2	(7,272)	(3,492)
Insurances		(25,207)	(30,527)
Professional fees		(81,220)	(73,737)
Project development expenditure		(1,219,208)	(527,387)
Regulatory & compliance		(72,389)	(115,834)
Remuneration	21(b)	(490,176)	(433,279)
Other employees' costs		(110,222)	(59,541)
Rent & outgoings		(73,149)	(49,275)
Share based payment	9	(562,525)	(304,796)
Other expenses		(173,980)	(136,532)
		(2,703,194)	**(1,655,705)**
Foreign exchange losses		(3,857)	(774)
Interest received	2	43,641	21,094
Interest expense	2	(2,238)	(1,814)
		37,546	18,506
Loss before income tax		**(2,665,648)**	**(1,637,199)**
Income tax expense	3	-	-
Loss for the year		**(2,665,648)**	**(1,637,199)**
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		**(2,665,648)**	**(1,637,199)**
Basic and diluted loss per share (cents per share)	4	(1.10)	(0.86)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

		CONSOLIDATED	
		2017	**2016**
	Notes	**$**	**$**
Assets			
Current assets			
Cash and cash equivalents	5	5,095,287	7,273,194
Trade and other receivables	6	58,822	44,562
Other current assets	7	38,598	47,998
Total current assets		**5,192,707**	**7,365,754**
Non-current assets			
Property, plant & equipment	8	52,396	18,949
Total non-current assets		**52,396**	**18,949**
Total assets		**5,245,103**	**7,384,703**
Liabilities			
Current liabilities			
Trade and other payables	10	148,100	234,577
Total current liabilities		**148,100**	**234,577**
Total liabilities		**148,100**	**234,577**
Net assets		**5,097,003**	**7,150,126**
Equity			
Issued capital	12	12,999,231	12,949,231
Share based payment reserve	13	867,321	310,612
Accumulated losses	14	(8,769,549)	(6,109,717)
Total equity		**5,097,003**	**7,150,126**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Issued capital $	Accumulated losses $	Option reserve $	Total $
Consolidated				
Balance at 1 July 2015	6,567,838	(4,473,972)	7,270	2,101,136
Loss for the year	-	(1,637,199)	-	(1,637,199)
Total comprehensive loss for the year	-	(1,637,199)	-	(1,637,199)
Shares issued for cash	6,400,422	-	-	6,400,422
Share issue costs	(49,029)	-	-	(49,029)
Conversion of options	30,000	1,454	(1,454)	30,000
Share based payments	-	-	304,796	304,796
Balance at 30 June 2016	**12,949,231**	**(6,109,717)**	**310,612**	**7,150,126**
Balance at 1 July 2016	12,949,231	(6,109,717)	310,612	7,150,126
Loss for the year	-	(2,665,648)	-	(2,665,648)
Total comprehensive loss for the year	-	(2,665,648)	-	(2,665,648)
Conversion of options	50,000	2,423	(2,423)	50,000
Expiry of options	-	3,393	(3,393)	-
Share based payments	-	-	562,525	562,525
Balance at 30 June 2017	**12,999,231**	**(8,769,549)**	**867,321**	**5,097,003**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED	
		2017	**2016**
	Notes	**$**	**$**
Cash flows from operating activities			
Receipts from R&D rebates and sundry income		112,154	78,695
Payments to suppliers		(481,293)	(328,935)
Payments to directors & employees		(640,189)	(498,399)
Payments for project development		(1,217,470)	(512,797)
Interest received		43,641	21,094
Interest paid		(174)	(1,814)
Net cash used in operating activities	5	(2,183,331)	(1,242,156)
Cash flows from investing activities			
Payments for property, plant and equipment		(40,719)	(14,547)
Net cash used in investing activities		(40,719)	(14,547)
Cash flows from financing activities			
Shares issued for cash		-	6,400,422
Proceeds from the exercise of options		50,000	30,000
Share issue costs		-	(49,029)
Net cash provided by financing activities		50,000	6,381,393
Net increase/(decrease) in cash and cash equivalents		(2,174,050)	5,124,690
Cash and cash equivalents at beginning of the year		7,273,194	2,149,278
Effects of exchange rate changes on cash and cash equivalents		(3,857)	(774)
Cash and cash equivalents at end of the year	5	**5,095,287**	**7,273,194**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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, 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 2017 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 27th July 2017.

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

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities the realisation of assets and extinguishment of liabilities in the ordinary course of business.

The Group has reported a net loss for the year of $2,665,648 (2016: $1,637,199) and a cash outflow from operating activities of $2,183,331 (2016: $1,242,156).

At year end, the Group had $5,095,287 of cash and cash equivalents. The directors also manage discretionary expenditure in line with the Group's cash flow forecast and are confident that there are sufficient funds to meet the Group's working capital and funding requirements.

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.

In the current year, the Group has applied a number of amendments to AASBs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amendments to AASB 101 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other AASBs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

Amendments to AASB 116 and AASB 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The Group has applied these amendments for the first time in the current year. The amendments to AASB 116 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to AASB 138 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a. when the intangible asset is expressed as a measure of revenue; or
b. when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Group already uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.	
AASB 9	Financial Instruments[2] Refer to Note 15 for the Group's financial instruments at reporting date: the Group's financial instruments primarily comprise cash and cash equivalents and trade payables. Management are of the view that the Standard will not have a significant impact on these types of financial instruments.
AASB 15	Revenue from Contracts with Customers (and the related Clarifications)[2] At the date of this report, the Group did not yet ern revenue from contracts with customers. Therefore, this Standard will not have any impact until such time that the Group commences earning revenue from contracts with customers.
AASB 16	Leases[3] Refer to Note 18 for the Group's operating lease commitments at reporting date. Based on current operating leases for the year ended 30 June 2017, the application of this Standard is not expected to be significant.
Amendments to AASB 2*	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to AASB 10 and AASB 128*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to AASB 107*	Disclosure Initiative[1]
Amendments to AASB 112*	Recognition of Deferred Tax Assets for Unrealised Losses[1]

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

* The directors have yet to assess the potential impact of the standards not yet adopted.

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. 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 9.

d. 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 2017 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.

e. Revenue and other income

Revenue
Revenue is recognised and measure at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

R&D Refund
Revenue is recognised on receipt of refunds from the Australian Taxation Office for research and development expenditure incurred during the previous financial year.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Income tax

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Income tax (continued)

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.

g. 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.

h. Project development expenditure

Project development costs, excluding the costs of acquiring tenements and permits, are expensed as incurred. Acquisition costs will be assessed on a case by case basis and, if appropriate, they will be capitalised. These acquisition costs are carried forward only if the rights to tenure of the area of interest are current and either:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. 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.

j. 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.

k. 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.

l. 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 9.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Share based payment transactions (continued)

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).

m. Property, plant and equipment

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

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

Office equipment – 2.5 to 15 years

Computer equipment – 2.5 to 4 years

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

(i) Impairment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Property, plant and equipment (continued)

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 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 comprehensive income in the year the asset is derecognised.

n. Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, 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.

o. 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 impairment. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. 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.

q. 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.

r. Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

s. Parent entity financial information

The financial information for the parent entity, Strategic Elements Limited, disclosed in Note 19 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 2. REVENUE AND EXPENSES

	CONSOLIDATED	
	2017	2016
	$	$
(a) Revenue		
R&D tax offset	112,154	73,704
Sundry income	-	4,991
	112,154	78,695
Bank interest received and receivable	43,641	21,094
Bank interest paid and payable	(2,238)	(1,814)
	41,403	19,280
(b) Expenses		
Depreciation of non-current assets	(7,272)	(3,492)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 3. INCOME TAX

	CONSOLIDATED	
	2017	2016
Reconciliation of tax benefits to statutory tax:	$	$
Loss for the year	(2,665,648)	(1,637,199)
Tax benefit at the applicable tax rate of 27.50% (2016: 30%)	(733,053)	(491,160)
s.40-880 expenses	(4,489)	(41,228)
Change in temporary differences	11,296	7,762
Difference in tax rate of Parent Company taxed at 25% due to Pooled Development Status	23,153	55,904
Overprovision of prior year tax losses	(135,574)	(130,375)
Unrecognised tax losses	838,667	599,097
Tax benefit reported in statement of comprehensive income	-	-
Unrecognised deferred tax assets:		
Carried forward tax losses	1,256,287	1,487,365
Temporary differences	5,804	19,713
Components of deferred tax		
Prepayments	(7,691)	(9,018)
Accruals	13,495	28,731
Tax Losses	1,256,287	1,487,365
Unrecognised deferred tax assets	(1,262,091)	(1,507,078)
	-	-

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. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 4. LOSS PER SHARE

	CONSOLIDATED	
	2017	**2016**
	Cents per share	**Cents per share**
Basic loss per share from continuing operations	(1.10)	(0.86)

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 ($)	(2,665,648)	(1,637,199)
- Weighted average number of ordinary shares (number)	242,727,276	189,703,841

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	
	2017	**2016**
	$	**$**
Cash at bank and on hand	5,095,287	7,273,194
	5,095,287	7,273,194

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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	
	2017	2016
	$	$
Loss from ordinary activities after income tax	(2,665,648)	(1,637,199)
Depreciation	7,272	3,492
Foreign exchange losses	3,857	774
Share based payments	562,525	304,796
Changes in working capital:		
(Increase)/decrease in other receivables	(14,260)	(3,082)
(Increase)/decrease in other assets	9,400	(159)
(Decrease)/increase in trade creditors and accruals	(86,477)	89,222
Cash flows from operations	(2,183,331)	(1,242,156)

NOTE 6. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2017	2016
	$	$
GST recoverable	58,822	43,815
Other receivable	-	747
	58,822	44,562

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 7. OTHER CURRENT ASSETS

	CONSOLIDATED	
	2017	2016
	$	$
Deposits	7,500	11,844
Prepayments	30,411	35,467
Other current assets	687	687
	38,598	47,998

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Office equipment $	Computer equipment $	Total $
At 30 June 2017			
Cost	43,076	40,229	83,305
Accumulated depreciation	(9,874)	(21,035)	(30,909)
At 30 June 2017 net of accumulated depreciation	33,202	19,194	52,396
At 30 June 2016			
Cost	10,228	32,358	42,586
Accumulated depreciation	(5,090)	(18,547)	(23,637)
At 30 June 2016 net of accumulated depreciation	5,138	13,811	18,949

Consolidated	Office equipment	Computer equipment	Total
Year ended 30 June 2017	$	$	$
At 1 July 2016 net of accumulated depreciation	5,138	13,811	18,949
Additions	32,848	7,871	40,719
Depreciation charge for the year	(4,784)	(2,488)	(7,272)
At 30 June 2017 net of accumulated depreciation	33,202	19,194	52,396
Year ended 30 June 2016			
At 1 July 2015 net of accumulated depreciation	3,957	3,937	7,894
Additions	2,292	12,255	14,547
Depreciation charge for the year	(1,111)	(2,381)	(3,492)
At 30 June 2016 net of accumulated depreciation	5,138	13,811	18,949

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 9. SHARE BASED PAYMENTS

	2017	2016
	$	$
Options	100,293	10,586
Performance rights	426,232	294,210
	562,525	304,796

Options

There were 3,700,000 options granted during the year (2016: 1,000,000 options). 3,000,000 options are exercisable at 17 cents and expire on 26 January 2018. The options were issued to the inventors of the nanocube technology being developed through Australian Advanced Materials Pty Ltd, a wholly-owned subsidiary of the Company. There are performance hurdles attached to the options which had to be met by 26 July 2017. At year end, they had not been met, therefore, no expense was recognised.

700,000 options were issued to an external consultant of the Company during the year. The options are exercisable at 16 cents, expire on 28 February 2018 and vested immediately.

700,000 options expired during the year (2016: no options).

500,000 options were exercised during the year (2016: 300,000 options).

	CONSOLIDATED			
	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	No.	$	No.	$
Outstanding at the beginning of the year	2,200,000	0.12	1,500,000	0.10
Granted during the year	3,700,000	0.17	1,000,000	0.15
Exercised during the year	(500,000)	0.10	(300,000)	0.10
Expired during the year	(700,000)	0.10	-	-
Outstanding at the end of the year	4,700,000	0.16	2,200,000	0.12
Exercisable at the end of the year	1,700,000	0.15	1,200,000	0.10

The inputs to the options valuation for options issued during the year were as follows:

	Options expiring 28/2/2018
Grant date share price	16 cents
Expected volatility	167%
Time to maturity	1.50 years
Dividend yield	0%
Risk-free interest rate	1.44%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 9. SHARE BASED PAYMENTS (CONTINUED)

The weighted average remaining contractual life of options at 30 June 2017 was 8 months (2016: 17 months).

The weighted average exercise price of options at 30 June 2017 was 16 cents (2016: 12 cents).

Performance rights

On 16 November 2015 shareholders approved the issue of 9,000,000 Performance Rights (PRs) (and the issue of shares following the vesting of those Performance Rights) under the terms of the Strategic Elements Performance Rights Plan. The issue offer was accepted by Directors on 22 December 2015.

Series 1 of the PRs vested based on continuous employment over a period of 12 months. Series 2, 3 and 4 vest based on continuous employment over a period of 24 months. Series 3 are conditional upon the Company achieving a market capitalisation of $50 million within 2 years of grant date. Series 4 are conditional upon the Company achieving a market capitalisation of $60 million within 2 years of grant date.

The expense recognised during the year for the issue is $426,232 (2016: $294,210).

No PRs were exercised during the year. No PRs expired during the year.

The following PRs are in issue:

Directors	Series No.1	Series No.2	Series No.3	Series No.4
Charles Murphy	750,000	750,000	1,500,000	1,500,000
Matthew Howard	750,000	750,000	1,500,000	1,500,000
	1,500,000	1,500,000	3,000,000	3,000,000
Value per right (cents)	17.00	17.00	6.58	5.28

The weighted average remaining contractual life of PRs at 30 June 2017 was 3.75 months (2016: 14.50 months).

The weighted average fair value of PRs at 30 June 2016 was 9.62 cents.

The inputs to the valuation of PRs on issue were:

	Series No.1	Series No.2	Series No.3	Series No.4
Dividend yield (%)	n/a	n/a	n/a	n/a
Expected volatility (%)	80	80	80	80
Risk-free interest rate (%)	2.01	2.01	2.01	2.01
Expected life of option (years)	1.00	2.00	2.00	2.00
Effective exercise price (cents)	n/a	n/a	26.25	31.50
Grant date share price (cents)	17.00	17.00	17.00	17.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 9. SHARE BASED PAYMENTS (CONTINUED)

The value of the PRs was calculated using the Binomial pricing method. The expected life of the PRs is based on historical data and is not necessarily indicative of exercise patterns that may occur, No other features of PRs granted were incorporated into the measurement of fair value.

NOTE 10. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2017	**2016**
	$	**$**
Trade payables (i)	94,118	114,810
Accrued expenses	53,982	119,767
	148,100	234,577

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms with the exception of insurance premiums of $17,438 (2016: $15,374) which are payable in monthly instalments at a flat interest rate of 7.51%. The final instalment is due 13 March 2018.

NOTE 11. REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2017	**2016**
	$	**$**
Amounts received & receivable by the auditor:		
Nexia Perth Audit Services Pty Ltd		
- an audit of the financial report of the Group	21,646	24,990
- other services	4,850	2,750
	26,496	27,740

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 12. ISSUED CAPITAL

	2017	2016
	$	$
Issued capital		
Ordinary shares issued and fully paid	12,999,231	12,949,231

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.

	2017		2016	
	Number of shares	$	Number of shares	$
Movement in ordinary shares on issue				
At beginning of year	242,246,454	12,949,231	186,289,943	6,567,838
Shares issued for cash	-	-	55,656,511	6,400,422
Shares issued on the exercise of options	500,000	50,000	300,000	30,000
Share issue costs	-	-	-	(49,029)
At end of year	242,746,454	12,999,231	242,246,454	12,949,231

NOTE 13. RESERVES

	CONSOLIDATED	
	2017	2016
	$	$
Option Reserve		
Balance at beginning of year	310,612	7,270
Issued during the year	562,525	304,796
Exercised during the year	(2,423)	(1,454)
Expired during the year	(3,393)	-
Balance at end of financial year	867,321	310,612

The option reserve is used to record the value of options and performance rights granted as share based payments as part of total remuneration. Refer to Note 9 for further information on these options.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 14. ACCUMULATED LOSSES

	CONSOLIDATED	
	2017	2016
	$	$
Movement in accumulated losses:		
Balance at beginning of year	(6,109,717)	(4,473,972)
Credit from option reserve on expiry of options	3,393	-
Credit from option reserve on exercise of options	2,423	1,454
Loss for the year	(2,665,648)	(1,637,199)
Balance at end of financial year	(8,769,549)	(6,109,717)

NOTE 15. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise cash, 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	
	2017	2016
(a) Categories of financial instruments	$	$
Financial assets		
Cash and cash equivalents	5,095,287	7,273,194
Financial liabilities		
Trade and other payables	148,100	234,577

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15. 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			
	2017		2016	
	Carrying amount	Interest rate	Carrying amount	Interest rate
	$	%	$	%
Variable rate instruments				
Cash and bank balances	5,095,287	0.58	7,273,194	1.03

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

	Equity		Profit or loss	
	100bp increase	**100bp** decrease	**100bp** increase	**100bp** decrease
30 June 2017: Consolidated				
Variable rate instruments	50,953	(50,953)	50,953	(50,953)
30 June 2016: Consolidated				
Variable rate instruments	72,732	(72,732)	72,732	(72,732)

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

(c) Net fair values

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15. 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 2017: Consolidated	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total**
Financial liabilities	$	$	$	$	$
Non-interest bearing	130,662	-	-	-	130,662
Interest bearing	2,022	4,044	11,372	-	17,438
	132,684	4,044	11,372	-	148,100

30 June 2016: Consolidated	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total**
Financial liabilities	$	$	$	$	$
Non-interest bearing	219,203	-	-	-	219,203
Interest bearing	1,537	3,074	10,763	-	15,374
	220,740	3,074	10,763	-	234,577

(f) Capital Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Group's activities, being mineral exploration and research and development relating to the nanocube technology, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Group funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes, research and development of the nanocube technology and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating capital raisings as required.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15. 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	
	2017	**2016**	**2017**	**2016**
Consolidated	$	$	$	$
New Zealand dollars	5,242	7,085	15,786	18,266

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 currencies. 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 and other equity and the balances below would be negative.

	Increase		Decrease	
	2017	**2016**	**2017**	**2016**
	$	$	$	$
NZD impact				
Profit or loss (i)	1,054	1,119	(1,054)	(1,119)
Other equity	1,054	1,119	(1,054)	(1,119)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16. COMMITMENTS

a) Project development expenditure commitments

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

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

	CONSOLIDATED	
	2017	**2016**
	$	**$**
Within one year	1,848,929	98,053
Later than one year but not later than 5 years	8,125,482	4,589,603
	9,974,411	4,687,656
b) Office lease commitments		
Within one year	42,650	51,545
Later than one year but not later than 5 years	1,777	51,545
	44,427	103,090

NOTE 17. SEGMENT INFORMATION

The Group is managed primarily on the basis of its exploration projects and research and development of the nanocube technology. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 17. SEGMENT INFORMATION (CONTINUED)

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;
- discontinuing operations.

	Metals and materials	**Research & development**	**Unallocated (Corporate)**	**Total**
Consolidated	**$**	**$**	**$**	**$**
Year ended 30 June 2017:				
Segment revenue	-	112,154	-	112,154
Segment result	-	112,154	-	112,154
Included within segment result:				
Depreciation	-	(3,055)	(4,217)	(7,272)
Interest income	88	739	42,814	43,641
Segment assets	72,820	110,023	5,062,260	5,245,103
Segment liabilities	17,926	12,096	118,078	148,100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 17. SEGMENT INFORMATION (CONTINUED)

	Metals and materials	Research & development	Unallocated (Corporate)	Total
Consolidated	**$**	**$**	**$**	**$**
Year ended 30 June 2016:				
Segment revenue	78,695	-	-	78,695
Segment result	(73,634)	(445,491)	(1,118,074)	(1,637,199)
Included within segment result:				
Depreciation	-	(16)	(3,476)	(3,492)
Interest income	32	-	21,062	21,094
Segment assets	163,369	93,623	7,127,711	7,384,703
Segment liabilities	12,494	18,159	203,924	234,577

NOTE 18. 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 2017	% Equity Interest 2016	Investment $ 2017	Investment $ 2016
Maria Resources Pty Ltd (previously APEC Ventures 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 Mode Technologies Pty Ltd	Australia	100	-	1	-

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 18. 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 21 for more detail.

NOTE 19. PARENT ENTITY INFORMATION

As at, and throughout, the financial year ending 30 June 2017 the parent company of the Group was Strategic Elements Limited.

Financial position of Parent entity at year end

	30 June 2017 $	30 June 2016 $
Assets		
Current assets	5,020,285	7,120,694
Non-current assets	194,796	233,356
Total assets	5,215,081	7,354,050
Liabilities		
Current liabilities	118,078	203,924
Total liabilities	118,078	203,924
Equity		
Issued capital	12,999,231	12,949,231
Retained earnings	(8,769,549)	(6,109,717)
Reserves		
Share based payments	867,321	310,612
Total equity	5,097,003	7,150,126

Financial performance of Parent entity for the year

	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Loss for the year	(2,665,648)	(1,637,199)
Other comprehensive income	-	-
Total comprehensive loss	(2,665,648)	(1,637,199)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 20. CONTINGENT LIABILITIES

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

NOTE 21. DIRECTORS' AND EXECUTIVES' DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

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

(b) Key management personnel compensation

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

	Year ended 30 June 2017	Year ended 30 June 2016
	$	**$**
Short term benefits	490,176	433,279
Equity benefits	426,232	294,210
Total	916,408	727,489

Information regarding individual directors' and executives' compensation disclosures as permitted by *Corporations Regulations* 2M.3.03 and 2M.6.04 is provided in the remuneration report section of the Directors' report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017
NOTE 21. DIRECTORS' AND EXECUTIVES' DISCLOSURES (CONTINUED)
(c) Performance Rights holdings of Key Management Personnel

30 June 2017	Balance at beginning of year	Granted as remuneration	Options exercised	Expired during the year	Balance at end of year	Vested as at end of year: Total	Exercisable	Not Exercisable
Directors								
Charles Murphy	4,500,000	-	-	-	4,500,000	750,000	750,000	-
Matthew Howard	4,500,000	-	-	-	4,500,000	750,000	750,000	-
Elliot Nicholls	-	-	-	-	-	-	-	-
Total	9,000,000	-	-	-	9,000,000	1,500,000	1,500,000	-

30 June 2016	Balance at beginning of year	Granted as remuneration	Options exercised	Expired during the year	Balance at end of year	Vested as at end of year: Total	Exercisable	Not Exercisable
Directors								
Seng Yap*	-	-	-	-	-	-	-	-
Charles Murphy	-	4,500,000	-	-	4,500,000	-	-	-
Matthew Howard	-	4,500,000	-	-	4,500,000	-	-	-
Elliot Nicholls	-	-	-	-	-	-	-	-
Total	-	9,000,000	-	-	9,000,000	-	-	-

*resigned 1 September 2015

NOTE 22. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the balance date Advanced Australian Materials Pty Ltd, a wholly-owned subsidiary of the Company, has to date received the sum of $63,062 out of a total claim of $139,635 from the Australian Taxation Office in respect of an R&D tax offset for the 2016 financial year.

Other than the above, no matters or circumstances have arisen since the end of the 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 2017 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 2017.

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

Managing Director
Dated this 3rd day of August 2017

Independent Audit Report to the Members of Strategic Elements Limited

Report on the financial report

Opinion

We have audited the financial report of Strategic Elements Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of 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 2017 and of its financial 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 Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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Key audit matter	How our audit addressed the key audit matter
Funding and liquidity **Refer to note 1** 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 memory technology. The investees' activities have not yet advanced **to a stage where it is able to generate 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 2017 and its ability to repay its debts as and when they fall due for a minimum of 12 months from the date of signing the financial report. In doing so, we: • obtained management's cash flow forecast for the 18 months from the commencement of the 2018 financial year; • assessed the reliability and completeness of management's assumptions by comparing the forecast cash flows to those of current and previous years and as well as our understanding of future events and conditions; and • considered events subsequent to year end to determine whether any additional facts or information have become available since the date on which management made its assessment.

Other information

The directors are responsible for the other information. The other information comprises the information in Strategic Elements Limited's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Strategic Elements Limited for the year ended 30 June 2017, 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.

Nexia Perth Audit Services Pty Ltd

PTC Klopper
Director

Dated: 3 August 2017
Perth

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 2 Aug 2017.

1) Substantial shareholders

The names of the substantial shareholders listed in the Company's register are:

Holder	Number of fully paid ordinary shares	Percentage
Robinia Partners Pty Ltd	19,692,969	8.11%
Total	**19,692,969**	**8.11%**

2) Information on equity security classes

a) Ordinary Shares

242,746.454 fully paid ordinary shares are held by 2,623 shareholders. All issued shares carry one vote per share and carry the rights to dividends. 424 shareholders had an unmarketable parcel of less than $500 given a share value of 7.5c.

The number of shareholders by size of holding:

	Ordinary shares	
	Number of holders	**Number of shares**
1 – 1,000	78	6,078
1,001 – 5,000	262	1,002,144
5,001 – 10,000	444	3,875,505
10,001 – 100,000	1,414	54,553,295
100,001 and over	425	183,309,432
Total	2,623	242,746,454

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

b) Options

4,700,000 unlisted options are held by 4 individual option holders. Options do not carry the right to vote.

The number of option holders by size of holding:

	(Unquoted) Number of holders	Number of shares
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	5	4,700,000
Total	4	4,700,000

c) The Company's unquoted equity securities are as follows:

Class	Holders	Number	Expiry date
Options exercisable at $0.15	1	1,000,000	15 July 2018
Options exercisable at $0.16	1	700,000	28 February 2018
Options exercisable at $0.17	2	3,000,000	26 January 2018

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

3) Top 20 shareholders

Twenty largest holders of quoted equity securities are:

Fully paid ordinary shares

Name	Number	Percentage
ROBINIA PTNRS PL	19,692,969	8.11%
EMNET PL	9,350,000	3.85%
JACOBS NEIL PETER	5,641,091	2.32%
HOWARD KIM LI + M D M	5,514,192	2.27%
CITICORP NOM PL	4,440,067	1.83%
STEVEN MURPHY ELECTRICAL	3,565,834	1.47%
BARNAO DAVID ANTHONY	3,478,564	1.43%
FEAR GOD PL	3,100,000	1.28%
CHAN KUEN SENG	3,078,261	1.27%
PARISI HLDGS PL	2,149,076	0.89%
COTTLE GEOFFREY MARK	2,077,935	0.86%
KANG ANDREW	1,930,435	0.77%
CONNOR BRENDON GABRIEL	1,876,118	0.62%
PARISI HLDGS PL	1,500,435	0.62%
NICHOLLS JOHN + DENISE S	1,500,000	0.62%
SO YUNG YUNG	1,466,268	0.60%
CARRAN GRAEME STANLEY	1,462,291	0.60%
NOT MY BAG PL	1,265,899	0.52%
WHEATLEY NEIL JOHN	1,200,001	0.49%
DORNAN JOHN	1,182,356	0.49%
TOTAL	75,471,792	31.09%

4) On-Market Buy Back

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

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