Strategic Elements

Annual Report
30 June 2020

(ABN 47 122 437 503)

STRATEGIC
ELEMENTS

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Corporate Information

Strategic Elements Limited
ABN 47 122 437 503

Directors
Charles Murphy
Matthew Howard
Elliot Nicholls

Company Secretary
Matthew Howard

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

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

Securities Exchange Listing
ASX Limited
ASX Code: SOR

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

Your directors have pleasure in submitting their report, together with the financial statements on the consolidated entity (referred to hereafter as the “consolidated entity” or the “Group”) consisting of Strategic Elements Limited (referred to hereafter as the “company” or “parent entity”) and the entities it controlled at the end of, or during the year ended 30 June 2020.

Directors

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

Charles Murphy - Managing Director & Acting Chairman

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

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

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

Matthew Howard- Executive, Director and Company Secretary

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

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

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

Elliot Nicholls - Executive Director

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

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

Mr Nicholls was appointed to the board in January 2009.

Directors were in office for this entire period.

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

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

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

Director	Number of fully paid ordinary shares	Performance Rights
C Murphy	19,942,969	3,500,000
M Howard	8,055,192	3,500,000
E Nicholls	9,600,000	1,500,000

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).

About Strategic Elements

The Australian Federal Government has registered Strategic Elements as a Pooled Development Fund with a mandate to back Australian innovation. Strategic Elements generates high risk – high reward ventures and projects from combining teams of leading scientists or innovators in the technology or resources sectors. The Company has developed a differentiated approach of identifying and negotiating opportunities in the Australian innovation sector. As the Company is registered under the Australian Government's Pooled Development Fund Act 1992 ("PDF Act") most shareholders have the opportunity to pay no tax on capital gains or dividends.

About Stealth Technologies (Stealth) – 100% Owned

Company Formation and Launch
In July 2019 Strategic Elements launched robotics and artificial intelligence Company 'Stealth Technologies'. Strategic Elements actively sourced and developed an experienced in-house team of international award winning PhD and Masters qualified research engineers with deep capabilities in artificial intelligence, computer vision and robotics (hardware and software) for Stealth Technologies. During the year the team was augmented by members of Strategic Elements Ltd and key advisors who have expertise in complex data analytics, software development, commercialisation and business development with large multi-national corporates.

Technology Development
During the year Stealth commenced development of an automated robotics software and hardware platform that can be adapted to different sizes of mobile vehicles and physical tasks (AxV). The first product release from the platform was also commenced in the same period in the form of the Autonomous Security Vehicle (ASV) for Perimeter Security.

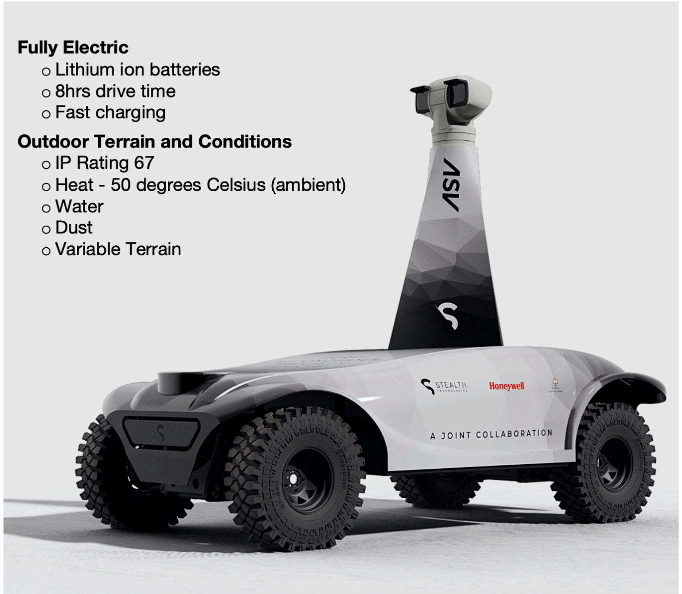
Autonomous Security Vehicle Development
Perimeter intrusion detection systems (PIDS) are used in an external environment to detect the presence of an intruder attempting to breach a perimeter. Government regulations to improve perimeter security and curb infiltration as well as pandemic and terrorist activities are providing lucrative growth opportunities to vendors of perimeter intrusion detection systems. PIDS are an important part of an overall security solution, especially for critical locations and the market is projected to reach USD 21.75 Billion by 2023 (MarketandMarkets).

PIDS testing is a physical, manual process required to be completed regularly by humans to ensure PIDS are functioning properly and will detect intrusion attempts. However PIDS testing is a mundane and repetitive task that can use significant human resources as facility perimeters often span stretches of numerous kilometres and can be infeasible to test manually, leaving facilities open to undetected intrusions through untested perimeters. Human interaction can also cause damage during testing.

During the year Stealth developed custom robotics built on top of its autonomous mobile platform to solve these problems, enabling fully automated PIDS testing 365 days a year, 24 hours a day including at night. This enables the testing of multiple technologies including microphonics, microwave, buried electromagnetic cable and photoelectric beams. PIDS technologies are deployed across vast numbers of facilities worldwide that could potentially benefit from fully automated physical testing that the Stealth technology can provide to increase security and reliability without increasing operating costs.

Autonomous Security Vehicle Collaboration
During the year Stealth formed a collaboration with US Company 'Honeywell' to build experimental autonomous robotic vehicles for the Correctional Justice sector (primarily prisons). Honeywell is a Fortune 100 technology company that delivers industry specific solutions that include aerospace products and services; control technologies for buildings and industry; and performance materials globally. Honeywell operates total asset and facility management operations globally across a range of market segments including Justice, Commercial, Health, Defence and Hospitality.

Eastern Goldfields Regional Prison
During the year the parties announced a further collaboration to create a fully autonomous security vehicle for the Eastern Goldfields Regional Prison. A presentation was subsequently made by representatives from Stealth Technologies the WA Department of Justice and Honeywell Building Technologies (part of U.S. Fortune 100 company Honeywell) to a global Honeywell user group forum. The parties are working to research and develop a fully autonomous security vehicle to inspect, test and confirm the integrity of the secure perimeter and enable these inspections to be carried out with no human intervention while integrating seamlessly into the existing technology stack in place at the Eastern Goldfields Regional Prison.



ASV Features

1. **Autonomous Perimeter Security Patrol & Surveillance**
   - 24*7 365 Day Operational Capability - Day and Night Vision
   - Collision Avoidance System
   - Autonomous Navigation Between Map Points
   - Emergency Braking System
   - Imposing Physical Presence
2. **Autonomous Perimeter Intrusion Detection System Testing**
   - Microphonic sensor testing (Purpose Built Robotic Actuators0
   - Microwave sensor testing
   - Photo electric sensor testing (PE)
   - Electro magnetic sensor testing (EM)
3. **On Board Surveillance Features**
   - Autonomous Object Tracking System
   - Incident Alert Lighting
   - Live Military Grade Video Feed
   - High Definition Camera Zoom
   - Two-Way Intercom
4. **System Integration**
   - Fully Integrated Into Honeywell's EBI Platform
   - Capable of Operating within Secure Isolated Networks
   - Capable of Advanced Computer Vision – Facial and Number Plate Recognition

Honeywell EBI Integration

Through the year development was conducted to enable real-time integration with Honeywell Enterprise Buildings Integrator. The EBI helps connect, monitor and manage core building functions and is a solution with thousands of EBI systems deployed globally. Honeywell Building Technologies is a global business with more than 23,000 employees and creates products, software and technologies found in more than 10 million buildings worldwide. The Honeywell Pacific Apps team is working with Stealth to build an interface between their Security Management System (SMS) and the autonomous security vehicle for a) alarm activation and acknowledgement between the SMS and the vehicle b) streaming live video to the SMS operators and two way voice communication and c) realtime location and status information of the vehicle providing greater situation awareness.

Autonomous Perimeter Security and Surveillance – Outside Honeywell Collaboration

Under the collaboration Stealth has provided Honeywell with exclusivity for the correctional justice sector. Stealth can market independently to sectors such as transport, energy, defence, government and utilities providing critical services. Perimeter security enables security to protect employees and assets from unauthorized intrusion in sensitive areas. Opportunities for Stealth include PIDS testing and patrol and surveillance. The Global Perimeter Security Market is forecast to be growing quickly at CAGR of 12.0% over the forecast period 2020-2026 (reaching USD 282.26 Billion by 2025) (MarketandMarket).

Advancing Multiple Collaborations

During the year Stealth successfully signed a collaboration agreement with the University of Western Australia on Autonomous Vehicle technology. The collaboration was subsequently successful in winning approx. $500,000 in funding from the Federal Government. Stealth Technologies actively continued seeking collaborations with leading research institutes and experts to develop proprietary technologies and deliver innovative solutions. Strategic Elements is leveraging its networks and experience in the innovation sector to access new technologies in automation, robotics and artificial intelligence (including computer vision) for Stealth Technologies.

Multiple Patents Filed

During the year Stealth filed multiple patents over new developments of its autonomous robotics platform. The Stealth Autonomous Robotics Platform (AxV) is designed for rugged and remote environments. As such, robotic vehicles are designed to operate autonomously in the absence of people for extended periods. Two patent applications cover low cost solutions developed by Stealth Technologies that greatly increase reliability and mitigates against system failures in autonomous robotic vehicles. A third patent application covers robots designed to automate perimeter security intrusion detection systems. Intellectual Property covered by the patents has potential commercial use in security, mining and agriculture.

Development of Drone Integration

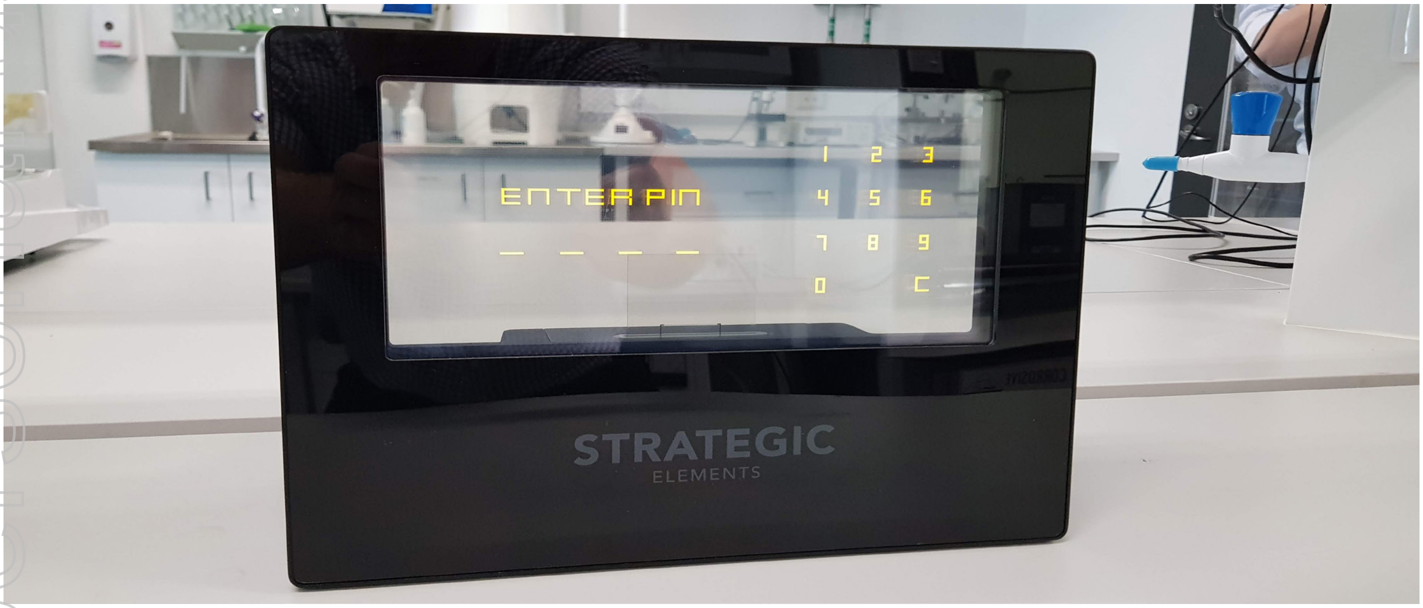
Additionally during the year Stealth Technologies commenced expanding the AxV plaform by incorporating airborne drone functionality with its ground based autonomous and robotic vehicle platform. In sectors such as security, defence agriculture and mining drones can augment ground based technologies to provide additional range and coverage through multi-angle video and fusion of extra sensor data (e.g thermal, LiDAR).

About Australian Advanced Materials (AAM) – 100% Owned

The Nanocube Memory Ink is a transparent ink containing billions of nanometre scale particles. When printed onto a surface and assembled with electrodes they operate as computer memory. Current memory technology is restricted to RF sputtering onto more rigid silicon materials in semiconductor fabs. Whereas the Nanocube technology is a fully printed, transparent memory technology fabricated at room temperature onto non-silicon materials.

World First Printable Transparent Demonstrator

During the year, Australian Advanced Materials showcased a world first prototype application built with the Nanocube Memory Ink. This prototype was modelled around an access control system, where a user's access credentials were authenticated against a glass substrate which had been coated with the Nanocube Memory Ink. The prototype demonstrated the capabilities of new material properties utilised in Printed Electronics by bringing together touch, display and data storage onto a transparent substrate.



During the year the Company presented its Nanocube technology demonstrator to a group in Finland which included the CEO of IDtechX a global leader in printed electronics. IDtechX is the industry leading strategy, research and consulting firm with multi-billion dollar companies as clients. IDtechX CEO Mr Raghu Das is renowned for assisting high growth emerging technologies large and small, from Fortune 50 companies to start-ups and has lectured at over 500 technology events around the World.

Commenting on the Nanocube technology demonstrator CEO Raghu Das stated "I genuinely think it's one of the best developments I've seen in a while in printed electronics." Mr Das personally offered the Company the opportunity to speak and demonstrate at its high growth emerging technologies event in Berlin that will attract over 2,500 attendees including some of the world's largest companies. The event is being rescheduled due to the impact of the Coronavirus.

Not being able to work with partners overseas and physically show the demonstrator due to the Coronavirus was disappointing, however, throughout the remainder of the year the Company established a method to receive significant external funding.

Significant Funding Gained Through Collaboration

During the remainder of the year AAM focused on conducting research and development that would enable it to enter into a collaboration with further funding and resources. The Company worked with its partners at the University of New South Wales and CSIRO to generate a significant collaboration into new electronic materials for a wide range of uses in flexible electronics and significant advances in energy efficient data storage devices. Funding was successfully secured subsequent to the year including $320,000 in cash from the Australian Research Council Linkage and $414,000 in-kind from UNSW, as announced on 30 July 2020. Total budget for the collaborative project is $1,069,000 and all importantly IP and commercialisation rights remain with AAM.

The collaboration enables AAM to have access to equipment, including analytical and EM facilities located at the UNSW Analytical Centre, fabrication facilities located at the Australian National Fabrication Facility node at UNSW and via proposals to major facilities such as CSIRO, the Australian Synchrotron and ANSTO. In particular, CSIRO Manufacturing research is based on multi-disciplinary scientific and engineering capabilities and uses world-class infrastructure. AAM has also gained access to state-of-the-art Australian Supercomputer facilities, including the National Computational Infrastructure (Raijin) and Pawsey Supercomputer Centre (Magnus) through the National Computational Merit Allocation Scheme and Pawsey Energy and Resources Merit Allocation Scheme.

About Maria Resources - 100% owned

During the year two holes were drilled by Maria Resources, BH01 and BH01, targeting a buried approx. 7km diameter circular gravity anomaly in the Officer Basin of Western Australia. The origin of the regional magnetics and local gravity anomaly is unknown. A range of origins can be hypothesized, including meteorite impact crater, an igneous intrusion, or a salt dome.

An Induced Polarization (IP) survey analysed by Southern Geoscience Consultants indicated a broad sub-horizontal layering at 300 to 400m with chargeabilities increasing with depth. Possible geological explanations of the broad chargeable zones include widespread sub horizontal weakly to moderately sulphidic ± graphitic sediments or large scale intrusive or alteration systems containing widespread sulphides (2-5%). Two diamond holes were drilled into the southern edge of the circular feature in December 2019 with BH01 and BH02 drilled to 561.6m and 615.2m respectively. Analysis of the drill cores and subsequent modelling indicated the potential anomalies were deeper than previously modelled.

BH01 and BH02 were the first mineral exploration drill holes in an adjacent area of over 100,000 square kilometres since the 1980's. Direct geophysical measures taken from the physical drill cores have yet to provide sufficient explanation for the gravity and IP chargeability anomalies. The Behemoth drilling was conducted in the most economic manner feasible and was majority funded through $150,000 from a WA government grant, $150,000 from the sale of a gold project and the 43% research and development rebate. The permit is in good standing and we are not required to make any significant further expenditure until December 2021.

Maria Resources is the recipient of an WA Govt. Exploration Incentive Scheme (EIS) for the Leviathan project. The EIS grant provides for $150,000 in matched funding to be utilised toward drilling costs at Leviathan. Maria Resources is currently reviewing technical aspects of the program before committing to drilling.

About Strategic Materials – 100% owned

Strategic Materials holds permits over the entire historic Golden Blocks Mines permit in New Zealand. Technical papers show the structural similarities of the Golden Blocks goldfield and the Reefton goldfield. One of the mines (Aorangi) produced 26,000oz of gold at a recovered grade of 36g/t and an estimated insitu grade of 59g/t, making it one of the highest-grade producing gold mines in New Zealand. Mining within the Golden Blocks goldfield prematurely ceased in 1914 due to the war, water containment challenges and labour shortages. Unlike other mines in New Zealand and Australia, which had substantial development work with modern technology after the war, the Golden Blocks goldfield remained privately owned and completely untouched. This was the case until the Company re-invigorated exploration in 2012, conducting numerous exploration programs with technical experts from New Zealand and Australia.

During the year, Strategic Materials has been evaluating the environmental footprint of future exploration, principally around drilling, within Golden Blocks. This evaluation has been undertaken for the purposes of informing the Company and stakeholders and will be formally completed in 2020. Strategic Materials remains focused on resuming fieldwork as soon as practically possible and execute its strategy of bringing modern exploration technology to historic mines.

Review of Operations

Corporate

On 27 September 2019 shareholders approved the issue of 8,500,000 Performance Rights to Directors under the Strategic Elements Performance Rights Plan. The total expense recognised in the year for share-based payments is $143,485 (2019: $44,894).

Operating result for the year

As the group is in the research and development stage it only generates minor revenues. The consolidated entity's loss for the year ended 30 June 2020 was $2,547,826 (year ended 30 June 2019: $1,980,372). The loss mainly reflects the research and development activities of the Group as well as administration costs.

Review of financial condition

At 30 June 2020, the consolidated entity had $2,270,149 in cash and term deposit balances (30 June 2019: $2,390,475).

Significant changes in the state of affairs

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

Significant events after balance date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

Likely developments and expected results

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

Environmental legislation

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

Indemnification and insurance of Directors and Officers

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

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 2020. 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:
a) set competitive remuneration packages to attract and retain high calibre employees
b) link executive rewards to shareholder value creation; and
c) establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Committee

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

Remuneration structure

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

Non-executive director remuneration

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

Director and executive remuneration

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

Fixed remuneration

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

Variable remuneration

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

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

Mr Murphy, Nicholls and Howard comprise three of the four fulltime staff of Strategic Elements and provide services such as ASX company secretarial, technical development, business development, corporate, marketing, project management whilst managing teams of consultants across various projects and fulfilling board positions to four subsidiary companies. The Company has entered into Executive Service agreements with the following directors:

Mr Charles Murphy (Managing Director & Acting Chairman)- Under the agreement the Company will pay up to a maximum of $280,000 per annum (exclusive of GST) in return for executive services and will provide reimbursement for all reasonable travel, accommodation and general expenses. Payments are inclusive of superannuation. Termination by the Company is no less than a 3 month notice period by either party or by paying the aggregate of amounts which, but for such termination, would otherwise have been paid. In addition to this a 3 month termination payment will be paid.

Mr Matthew Howard (Director) - Under the agreement the Company will pay up to a maximum of $210,000 per annum (exclusive of GST) in return for executive services and will provide reimbursement for all reasonable travel, accommodation and general expenses. Payments are inclusive of superannuation. Termination by the Company is no less than a 3 month notice period by either party or by paying the aggregate of amounts which, but for such termination, would otherwise have been paid. In addition to this a 3 month termination payment will be paid.

Mr Elliot Nicholls (Director) - Under the agreement the Company will pay up to a maximum of $190,000 per annum (exclusive of GST), in return for executive services and will provide reimbursement for all reasonable travel, accommodation and general expenses. Payments are inclusive of superannuation. Termination by the Company is no less than a 3 month notice period by either party or by paying the aggregate of amounts which, but for such termination, would otherwise have been paid.

Remuneration Report (Audited) (continued)

Table 1: Remuneration of key management personnel (KMP) for the year ended 30 June 2020 and the year ended 30 June 2019:

		Short-term employee benefits		Post-employment benefits	Equity		Total
		Fixed Salary & fees	Variable remuneration	Superannuation	Performance Rights Shares	Options	
Executive directors							
Charles Murphy	2020	265,000	15,000	-	66,812	-	346,812
	2019	265,000	25,000	-	22,447	-	312,447
Matthew Howard	2020	195,000	15,000	-	66,812	-	276,812
	2019	195,000	25,000	-	22,447	-	242,447
Elliot Nicholls	2020	174,800	15,000	-	9,861	-	199,661
	2019	149,800	5,000	-	-	-	154,800
Total executive	**2020**	**634,800**	**45,000**	**-**	**143,485**	**-**	**823,285**
directors	**2019**	**609,800**	**55,000**	**-**	**44,894**	**-**	**709,694**

Share-based payments

Performance Rights

There were 8,500,000 Performance Rights issued during the year.

The total expense recognised in the year for share-based payments is $143,485 (2019: $44,894).

No Performance Rights vested or expired during the year.

---**END OF RENUMERATION REPORT**--

Directors' meetings

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

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

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

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, Nexia Perth Audit Services Pty Ltd (Nexia Perth), to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 13 and forms part of this directors' report for the year ended 30 June 2020.

Non-Audit Services

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

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

Audit of Australian Financial Services Licence (AFSL)- $3,500 (2019: $3,500)

Signed in accordance with a resolution of the directors.

Charles Murphy
Managing Director
Perth WA, 25th August 2020

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 2020 there have been:

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

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

NPAS

Nexia Perth Audit Services Pty Ltd

M. Janse Van Nieuwenhuizen
Director

Perth
25 August 2020

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

		CONSOLIDATED	
		2020	2019
Continuing operations	**Note**	**$**	**$**
Contract revenue	1(f)	244,500	51,250
Cost of sales of goods		(61,728)	-
Gross profit		**182,772**	**51,250**
Other income	2(a)	812,116	406,505
Depreciation	2(b)	(8,550)	(7,911)
Insurances		(62,218)	(29,622)
Marketing		(167,693)	(17,789)
Professional fees		(216,086)	(101,608)
Project development expenditure		(1,512,459)	(943,832)
Regulatory & compliance		(74,615)	(55,091)
Remuneration	23(b)	(679,800)	(664,800)
Other employees' costs		(495,432)	(363,780)
Rent & outgoings		(48,928)	(57,546)
Share-based payments	10	(143,485)	(44,894)
Other expenses		(154,066)	(204,416)
Operating profit		**(2,568,444)**	**(2,033,534)**
Foreign exchange losses		(4,607)	(1,896)
Interest received	2(a)	29,042	57,292
Interest expense	2(a)	(3,817)	(2,234)
		20,618	53,162
Loss before income tax		**(2,547,826)**	**(1,980,372)**
Income tax expense	3	-	-
Loss for the year		(2,547,826)	(1,980,372)
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		(2,547,826)	(1,980,372)
Basic and diluted loss per share (cents per share)	4	(0.96)	(0.81)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2020

		CONSOLIDATED	
		2020	2019
	Note	$	$
Assets			
Current assets			
Cash and cash equivalents	5	2,270,149	2,390,475
Trade and other receivables	6	111,270	41,960
Term deposit investments	7	40,000	-
Other current assets	8	39,366	23,120
Total current assets		2,460,785	2,455,555
Non-current assets			
Property, plant and equipment	9	23,368	31,918
Total non-current assets		23,368	31,918
Total assets		2,484,153	2,487,473
Liabilities			
Current liabilities			
Trade and other payables	11	203,674	162,538
Provisions	12	47,841	21,676
Total current liabilities		251,515	184,214
Total liabilities		251,515	184,214
Net assets		2,232,638	2,303,259
Equity			
Issued capital	14	15,970,451	13,636,731
Share-based payments reserve	15	143,485	-
Accumulated losses	16	(13,881,298)	(11,333,472)
Total equity		2,232,638	2,303,259

The accompanying notes form part of these financial statements.

For the Year Ended at June 2020

	Note	Issued capital $	Accumulated losses $	Share-based payments reserve $	Total $
Consolidated					
Balance at 1 July 2018		12,999,231	(9,375,935)	615,441	4,238,737
Loss for the year		-	(1,980,372)	-	(1,980,372)
Total comprehensive loss for the year		-	(1,980,372)	-	(1,980,372)
Expiry of options	14	637,500	-	(637,500)	-
Expiry of Performance Rights	16	-	22,835	(22,835)	-
Share-based payments	10	-	-	44,894	44,894
Balance at 30 June 2019		**13,636,731**	**(11,333,472)**	**-**	**2,303,259**
Balance at 1 July 2019		13,636,731	(11,333,472)	-	2,303,259
Loss for the year		-	(2,547,826)	-	(2,547,826)
Total comprehensive loss for the year		-	(2,547,826)	-	(2,547,826)
Issues of shares for cash	14	2,348,000	-	-	2,348,000
Share issue costs	14	(14,280)	-	-	(14,280)
Share-based payments	10	-	-	143,485	143,485
Balance at 30 June 2020		**15,970,451**	**(13,881,298)**	**143,485**	**2,232,638**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended at June 2020

	Note	CONSOLIDATED 2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		244,500	62,298
Receipts from government grants/incentives		751,142	395,457
Payments to suppliers		(732,368)	(413,010)
Payments to directors & employees		(1,143,045)	(1,016,097)
Payments for project development		(1,508,877)	(970,123)
Payments for leases		(45,962)	-
Interest received		28,990	57,292
Interest paid		(3,817)	(2,234)
Net cash used in operating activities	5	(2,409,437)	(1,886,417)
Cash flows from investing activities			
Transfer to term deposit investment		(40,000)	-
Payments for property, plant and equipment		-	(1,927)
Net cash used in investing activities		(40,000)	(1,927)
Cash flows from financing activities			
Proceeds from the issue of shares		2,348,000	-
Payments for costs of issue of shares		(14,280)	-
Net cash from investing activities		2,333,720	-
Net decrease in cash and cash equivalents		(115,717)	(1,888,344)
Cash and cash equivalents at beginning of the year		2,390,475	4,280,715
Effects of exchange rate changes on cash and cash equivalents		(4,609)	(1,896)
Cash and cash equivalents at end of the year	5	**2,270,149**	**2,390,475**

The accompanying notes form part of these financial statements.

Note 1. Statement of Significant Accounting Policies

a. Basis of compliance and preparation

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

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

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

The accounting policies detailed below have been consistently applied to all of the years presented. The consolidated financial statements of the Company as at and for the year ended 30 June 2020 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 25th August 2020.

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

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

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

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

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

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

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

A lessee measures right-of-use assets similarly to other financial assets (such as property, plant and equipment) and lease liabilities similar to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases.

The consolidated entity only has short term leases which, under the standard, can continue to be recognised on a straight line/systematic basis over the lease term.

Note 1. Statement of Significant Accounting Policies (continued)

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

The Group has reviewed the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2020. As a result of this review the Group has determined that there is no significant impact of the Standards and Interpretations in issue not yet adopted on the Group; therefore, no change is necessary to the Group's accounting policies.

d. Critical accounting estimates and judgements

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

Share-based payment transactions:

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

Coronavirus (COVID-19) pandemic

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

e. Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Strategic Elements Limited ('Company' or 'parent entity') as at 30 June 2020 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.

Note 1. Statement of Significant Accounting Policies (continued)

f. Revenue and other income

Revenue from contracts with customers

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

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

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

Contract revenue

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

The group earned $244,500 of contract revenue (2019: $51,250), $150,000 was earned from the sale of tenements (2019: $ nil). The remaining $94,500 was earned from the provision of services. $30,000 was earned from the provision of consulting services (2019: $21,250) and $64,500 was earned from services rendered to build experimental autonomous vehicles (2019: $ nil and $30,000 was earned from the provision of software development services in 2019). Consulting services revenue was recognised as the services were provided and the obligation met during the year. Revenue earned from services rendered to build experimental autonomous vehicles and the provision of software development services revenue was recognised at points in time as the services were provided and the obligations met in accordance with agreed milestones; a remaining $42,000 relating to services rendered to build experimental autonomous vehicles remained outstanding at year end (2019: $ nil) and will be recognised at points in time as the services are provided and the obligations met in accordance with agreed milestones.

Sale of goods

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

Research and development refund

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

Grant funding

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

Other income

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

Note 1. Statement of Significant Accounting Policies (continued)

g. Income tax

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

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

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

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

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. 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.

Note 1. Statement of Significant Accounting Policies (continued)

Other taxes

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

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

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

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

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

h. Cash and cash equivalents

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

i. Project development expenditure

Exploration and evaluation

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

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

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

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

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

Research and development

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

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

Note 1. Statement of Significant Accounting Policies (continued)

j. Impairment of assets

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

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

k. Trade and other payables

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

l. Issued capital

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

m. Share-based payment transactions

Equity settled transactions:

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

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

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

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

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

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

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

Note 1. Statement of Significant Accounting Policies (continued)

m. Share-based payment transactions (continued)

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

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

n. Property, plant and equipment

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

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

Office equipment – 2.5 to 15 years

Computer equipment – 2.5 to 4 years

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

(i) Impairment

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

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

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

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

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

(ii) De-recognition and disposal

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

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

Note 1. Statement of Significant Accounting Policies (continued)

o. Employee benefits

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

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

p. Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for 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.

q. Earnings per share

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

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

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

Note 1. Statement of Significant Accounting Policies (continued)

r. Segment reporting

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

s. Parent entity financial information

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

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

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

Note 2. Revenue and Expenses

	CONSOLIDATED	
	2020	2019
	$	$
(a) Other income		
Research and development tax offset	543,947	395,457
Cash flow boost Covid-19	79,668	-
Job seeker grant	36,000	-
Drilling grant	150,000	-
Sundry income	2,501	11,048
	812,116	406,505
Bank interest received and receivable	29,042	57,292
Bank interest paid and payable	(3,817)	(2,234)
	25,225	55,058
(b) Expenses		
Depreciation of non-current assets	8,550	7,911

Note 3. Income Tax

	CONSOLIDATED	
	2020	2019
Reconciliation of tax expense to statutory tax:	$	$
Loss for the year	(2,547,826)	(1,980,372)
Tax benefit at the applicable tax rate of 27.50% (2019: 27.50%)	(700,652)	(544,602)
s.40-880 expenses	(4,854)	(4,488)
Permanent differences	(21,909)	-
Change in temporary differences	1,304	(5,430)
Difference in tax rate of Parent Company taxed at 25% due to Pooled Development Status	18,668	16,097
Underprovision/(overprovision) of prior year tax losses	466,902	262,893
Unrecognised tax losses	240,541	275,530
Tax expense reported in statement of profit and loss and other comprehensive income	-	-
Unrecognised deferred tax assets:		
Carried forward tax losses	1,723,189	1,623,877
Temporary differences	1,304	(5,430)
Components of deferred tax		
Accrued income	(3,300)	-
Prepayments	(4,727)	91
Accruals	2,395	176
Provisions	6,936	(5,697)
Tax Losses	1,723,189	1,623,877
Unrecognised deferred tax assets	(1,724,493)	(1,618,447)
	-	-

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

a) The Group entities derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised.

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

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

Note 4. Loss Per Share

	CONSOLIDATED	
	2020	2019
	Cents per share	Cents per share
Basic loss per share from continuing operations	(0.96)	(0.81)

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 ($)	(2,547,826)	(1,980,372)
- Weighted average number of ordinary shares (number)	264,899,037	244,776,345

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	
	2020	2019
	$	$
Cash at bank and on hand	2,270,149	2,390,475
	2,270,149	2,390,475

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

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	
	2020 $	2019 $
Loss from ordinary activities after income tax	(2,547,826)	(1,980,372)
Depreciation	8,550	7,911
Foreign exchange losses	4,607	1,896
Losses on disposal of plant and equipment	-	1,635
Share-based payments	143,485	44,894
Changes in working capital:		
(Increase)/decrease in other receivables	(69,310)	5,752
(Increase)/decrease in other assets	(16,246)	7,192
(Decrease)/increase in trade creditors and accruals	41,138	2,999
(Decrease)/increase in provisions	26,165	21,676
Cash flows from operations	(2,409,437)	(1,886,417)

Note 6. Trade and Other Receivables

	CONSOLIDATED	
	2020 $	2019 $
Interest receivable	52	-
Government grants available	58,473	-
Sundry receivable	-	3,422
GST recoverable	52,745	38,538
	111,270	41,960

Note 7. Term Deposit Investment

	CONSOLIDATED	
	2020	2019
	$	$
Term deposit	40,000	-

The term deposit investment has a term of 12 months and attracts an interest rate of 1%.

Note 8. Other Current Assets

	CONSOLIDATED	
	2020	2019
	$	$
Prepayments	38,679	22,433
Other current assets	687	687
	39,366	23,120

Note 9. Property, Plant and Equipment

Consolidated	Office equipment $	Computer equipment $	Total $
At 30 June 2020			
Cost	38,308	26,264	64,572
Accumulated depreciation	(16,247)	(24,957)	(41,204)
At 30 June 2020 net of accumulated depreciation	22,061	1,307	23,368
At 30 June 2019			
Cost	38,308	26,264	64,572
Accumulated depreciation	(15,812)	(16,842)	(32,654)
At 30 June 2019 net of accumulated depreciation	22,496	9,422	31,918

Consolidated	Office equipment $	Computer equipment $	Total $
Year ended 30 June 2020			
At 1 July 2019 net of accumulated depreciation	22,496	9,422	31,918
Additions	-	-	-
Depreciation charge for the year	(435)	(8,115)	(8,550)
At 30 June 2020 net of accumulated depreciation	22,061	1,307	23,368
Year ended 30 June 2019			
At 1 July 2018 net of accumulated depreciation	27,947	11,590	39,537
Additions	1,927	-	1,927
Write offs	(1,256)	(379)	(1,635)
Depreciation charge for the year	(6,122)	(1,789)	(7,911)
At 30 June 2019 net of accumulated depreciation	22,496	9,422	31,918

Note 10. Share Based Payments

	2020 $	2019 $
Performance rights	143,485	44,894
	143,485	44,894

Performance rights

On 27 September 2019 shareholders approved the issue of 8,500,000 Performance Rights ("PRs"), with a fair value of $284,414. Service conditions were part of the performance requirements of the rights. None of the rights were converted to shares under the terms of the Strategic Elements Performance Rights Plan.

None of the Performance Rights expired during the year.

The total expense recognised in the year for share-based payments is $143,485 (2019: $44,894).

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

	Tranche No.1	Tranche No.2	Tranche No.3
Number of performance rights (PRs)	1,500,000	1,500,000	5,500,000
Vesting period (months)	12	24	24
Performance period starts	27-Sep-19	27-Sep-19	27-Sep-19
Performance period ends	27-Sep-20	27-Sep-20	27-Sep-20
Barrier price (cents)	n/a	n/a	11.99
Value per right (cents)	6.3	6.3	1.73
Total value (dollars)	94,500	94,500	95,414

The PRs were issued to Directors as follows:

Director	Tranche No.1	Tranche No.2	Tranche No.3
Charles Murphy	750,000	750,000	2,000,000
Matthew Howard	750,000	750,000	2,000,000
Elliot Nicholls	-	-	1,500,000

Note 10. Share Based Payments (continued)

Vesting conditions

Tranches 1 and 2 are dependent on the Directors remaining in continuous employment with the Company.

Tranche 3 is dependent on the Company achieving a market capitalisation of $30 million during the performance period.

The inputs to the PRs valuation were:

	Series No.1	Series No.2	Series No.3
Dividend yield (%)	n/a	n/a	n/a
Expected volatility (%)	n/a	n/a	82.91
Risk-free interest rate (%)	n/a	n/a	0.73
Expected life of rights (years)	1.0	2.0	2.0
Grant date share price (cents)	6.30	6.30	6.30

The value of the options was calculated using the Cox, Ross and Rubinstein binomial tree method.

The expected life of the options is based on time to expiry and is not necessarily indicative of exercise patterns that may occur. No other features of options granted were incorporated into the measurement of fair value.

8,500,000 Performance Rights were on issue at the end of the year.

	2020	2019
Performance Rights	**No.**	**No.**
Outstanding at the beginning of the year	-	10,500,000
Granted during the year	8,500,000	-
Converted during the year	-	(4,500,000)
Lapsed during the year	-	(6,000,000)
Outstanding at the end of the year	8,500,000	-
Vested at the end of the year	-	-

Note 11. Trade and Other Payables

	CONSOLIDATED	
	2020	2019
	$	$
Trade payables (i)	145,977	138,000
Accrued expenses	57,697	24,538
	203,674	162,538

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms with the exception of insurance premiums of $20,314 (2019: $21,706) which are payable in monthly instalments at a flat interest rate of 7.43%. The final instalment is due 15 January 2021.

Note 12. Provisions

	CONSOLIDATED	
	2020	2019
	$	$
Provision for annual leave	47,841	21,676
	47,841	21,676

Note 13. Remuneration of Auditors

	CONSOLIDATED	
	2020	2019
	$	$
Amounts received & receivable by the auditor:		
Nexia Perth Audit Services Pty Ltd		
- audit of the financial report of the Group	28,759	25,860
- other services	3,500	3,500
	32,259	29,360

Note 14. Issued Capital

	2020 $	2019 $
Issued capital		
Ordinary shares issued and fully paid	15,970,451	13,636,731

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.

	2020		2019	
	Number of shares	$	Number of shares	$
Movement in ordinary shares on issue				
At beginning of year	242,246,454	13,636,731	242,746,454	12,999,231
Shares issued for cash	39,133,437	2,348,000	4,500,000	637,500
Share issue costs	-	(14,280)	-	-
At end of year	286,379,891	15,970,451	247,246,454	13,636,731

Note 15. Reserves

	CONSOLIDATED	
	2020 $	2019 $
Share-based payment reserve		
Balance at beginning of year	-	615,441
PRs issued during the year	143,485	44,894
PRs converted during the year	-	(637,500)
PRs and options expired during the year	-	(22,835)
Balance at end of financial year	143,485	-

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

Note 16. Accumulated Losses

	CONSOLIDATED	
	2020	2019
	$	$
Movement in accumulated losses:		
Balance at beginning of year	(11,333,472)	(9,375,935)
Credit from option reserve on expiry of Performance Rights	-	22,835
Loss for the year	(2,547,826)	(1,980,372)
Balance at end of financial year	(13,881,298)	(11,333,472)

Note 17. 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 consolidated financial statements.

	CONSOLIDATED	
	2020	2019
	$	$
(a) Categories of financial instruments		
Financial assets		
Cash and cash equivalents	2,270,149	2,390,475
Trade and other receivables	111,270	41,960
Term deposit	40,000	-
	2,421,419	2,432,435
Financial liabilities		
Trade and other payables	203,674	162,538

Note 17. Financial Instruments (continued)

(b) Interest rate risk

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

Profile

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

	CONSOLIDATED			
	2020		2019	
	Carrying amount	Interest rate	Carrying amount	Interest rate
	$	%	$	%
Variable rate instruments				
Cash and bank balances	2,270,149	0.64	2,390,475	1.41
Fixed rate instruments				
Term deposit investments	40,000	1.00	-	-

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019.

	Equity		Profit or loss	
	100bp increase	**100bp** decrease	**100bp** increase	**100bp** decrease
30 June 2020: Consolidated				
Variable rate instruments	22,701	(22,701)	22,701	(22,701)
30 June 2019: Consolidated				
Variable rate instruments	23,905	(23,905)	23,905	(23,905)

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

The Group also has insurance premium arrangements of $20,314 (2019: $21,706) which are payable in monthly instalments at a flat interest rate of 7.43% The final instalment is due 15 January 2021.

(c) Net fair values

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

Note 17. Financial Instruments (continued)

(d) Credit risk

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

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

There is no requirement for collateral.

(e) Liquidity risk

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

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

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

30 June 2019: Consolidated	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
	$	$	$	$	$
Financial liabilities					
Non-interest bearing	140,832	-	-	-	140,832
Interest bearing	2,304	4,687	14,715	-	21,706
	143,136	4,687	14,715	-	162,538

(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.

Note 17. Financial Instruments (continued)

(g) Foreign currency risk management

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

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

Consolidated	Liabilities 2020 $	Liabilities 2019 $	Assets 2020 $	Assets 2019 $
New Zealand dollars	1,595	3,348	23,599	3,497

Foreign currency sensitivity analysis

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

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

	Increase 2020 $	Increase 2019 $	Decrease 2020 $	Decrease 2019 $
NZD impact				
Profit or loss (i)	2,200	15	(2,200)	(15)
Other equity	2,200	15	(2,200)	(15)

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

Note 18. Commitments

a) 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.

	CONSOLIDATED	
	2020	2019
	$	$
Within one year	135,000	564,101
Later than one year but not later than 5 years	780,000	3,979,140
	915,000	4,543,241
b) Office lease commitments		
Within one year	21,552	1,194
Later than one year but not later than 5 years	-	-
	21,552	1,194

Note 19. Segment Information

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

Basis of accounting for purposes of reporting by operating segments

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

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

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

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

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

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

Note 19. Segment Information (continued)

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

Consolidated	Resources $	Technology $	Unallocated (Corporate) $	Total $
Year ended 30 June 2019:				
Segment revenue	130,416	317,297	10,042	457,755
Segment result	(684,643)	(136,614)	(1,159,115)	(1,980,372)
Included within segment revenue & result:				
Contract revenue	-	51,250	-	51,250
R&D tax offset	129,049	266,408	-	395,457
Depreciation	-	(1,701)	(6,210)	(7,911)
Interest income	902	1,116	55,274	57,292
Segment assets	135,533	149,420	2,202,520	2,487,473
Segment liabilities	16,114	56,473	111,627	184,214

Note 20. Related Party Disclosures

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

Name	Country of Incorporation	% Equity Interest 2020	% Equity Interest 2019	Investment $ 2020	Investment $ 2019
Maria Resources Pty Ltd	Australia	100	100	1	1
Strategic Materials Pty Ltd	Australia	100	100	1	1
Australian Advanced Materials Pty Ltd	Australia	100	100	1	1
Stealth Technologies Pty Ltd	Australia	100	100	1	1

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

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

Transactions with related entities:

Director related entities

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

During the year the Group engaged Enbit Pty Ltd, an entity related to Elliot Nicholls, a director of the Company for IT services. Enbit received a total of $5,882 plus GST during the year (2019: $4,997 plus GST). Enbit did not acquire consulting services and software development services from Stealth Technologies Pty Ltd during the year (2019: $21,250 and $30,000 respectively). There were no amounts outstanding between Enbit and the consolidated entity at 30 June 2020 (2019: $nil).

Note 21. Parent Entity Infromation

As at, and throughout, the financial year ending 30 June 2020 the parent company of the Group was Strategic Elements Limited.

Financial position of Parent entity at year end

	2020 $	2019 $
Assets		
Current assets	2,123,183	2,174,276
Non-current assets	238,719	240,609
Total assets	2,361,902	2,414,885
Liabilities		
Current liabilities	129,264	111,626
Total liabilities	129,264	111,626
Equity		
Issued capital	15,970,451	13,636,731
Retained earnings	(13,881,298)	(11,333,472)
Reserves		
Share-based payments	143,485	-
Total equity	2,232,638	2,303,259

Financial performance of Parent entity for the year

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
Loss for the year	(2,547,826)	(1,980,372)
Other comprehensive income	-	-
Total comprehensive loss	(2,547,826)	(1,980,372)

Note 22. Contingent Liabilities

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

Note 23. Directors' and Executives' Disclosures

(a) Details of key management personnel

(i) Directors

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

(b) Key management personnel compensation

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

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
Short term benefits	679,800	664,800
Equity benefits	143,485	44,894
Total	823,285	709,694

(c) Performance rights holdings of key management personnel

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

30 June 2019	Balance at beginning of year	Granted as remuneration	Expired during the year	Balance at end of year	Vested	Not vested
Directors						
Charles Murphy	5,250,000	(2,250,000)	(3,000,000)	-	-	-
Matthew Howard	5,250,000	(2,250,000)	(3,000,000)	-	-	-
Elliot Nicholls	-	-	-	-	-	-
Total	10,500,000	(4,500,000)	(6,000,000)	-	-	-

Note 24. Events Subsequent to Reporting Date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

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 2020 and of its performance for the year then ended; and

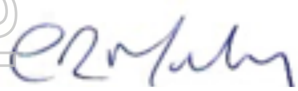
      ii. complying with Australian Accounting Standards and Corporations Regulations 2001, professional reporting requirements and other mandatory requirements;

   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 2020.

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



Charles Murphy
Managing Director
Dated this 25th day of August 2020

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Strategic Elements Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

i) giving a true and fair view of the Group's financial position as at 30 June 2020 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key audit matters

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

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Key audit matter	How our audit addressed the key audit matter
Funding and liquidity **Refer to note 17 (f)** Strategic Elements Limited is a Pooled Development Fund with investments in exploration and information technology companies. The key activities of its investee companies are to explore for gold and copper minerals and to perform research and development in the field of technology. The investees' activities have not yet advanced to a stage where it is able to generate commercial revenue, accordingly the Group is reliant on funding from external sources, such as capital raisings, to support its operations. We focussed on whether the Group had sufficient cash resources and access to funding to allow the Group to continue as a going concern. The adequacy of funding and liquidity as well as the relevant impact on the going concern assessment is a key audit matter due to the inherent uncertainties associated with the future development of the Group's projects and the level of funding required to support that development.	We evaluated the Group's funding and liquidity position at 30 June 2020 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 2021 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 2020, 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/auditors_responsibilities/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 11 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Strategic Elements Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

NPAS

Nexia Perth Audit Services Pty Ltd

M. Janse Van Nieuwenhuizen
Director
Perth
25 August 2020

Additional information required by the ASX Limited and not shown elsewhere in this report is as follows. This information is current as at 30 June 2020.

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	19,942,969	6.96%

2) Information on equity security classes

a) Ordinary Shares

286,379,891 fully paid ordinary shares are held by 2,741 shareholders. All issued shares carry one vote per share and carry the rights to dividends. 468 shareholders had an unmarketable parcel of less than $500 given a share value of 6.0c.

The number of shareholders by size of holding:

	Ordinary shares	
	Number of holders	Number of shares
1 – 1,000	109	9,959
1,001 – 5,000	175	658,124
5,001 – 10,000	510	4,418,256
10,001 – 100,000	1,468	57,503,397
100,001 and over	479	223,790,155
Total	2,741	286,379,891

b) Options

There are currently no options issued.

3) Top 20 shareholders

The twenty largest holders of quoted equity securities are:

Position	Holder Name	Holding	% IC
1	ROBINIA PARTNERS PTY LTD <GIRAFFE CM A/C>	19,942,969	6.96%
2	MRS KIM LI HOWARD & MR MATTHEW DOMINIC MCGUINESS HOWARD <HOWARD FAMILY A/C>	7,764,192	2.71%
3	EMNET PTY LTD	7,600,000	2.65%
4	MR DAVID ANTHONY BARNAO	4,309,366	1.50%
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,163,476	1.45%
6	STEVEN MURPHY ELECTRICAL CONTRACTORS PTY LTD <SRM SUPER FUND A/C>	3,975,834	1.39%
7	DR KUEN SENG CHAN	3,328,261	1.16%
8	FEAR GOD PTY LTD <PEACEFUL TREASURE SF A/C>	3,100,000	1.08%
9	DIVERGENT ASSETS PTY LTD <JACOBS FAMILY A/C>	2,500,000	0.87%
10	MRS YADRANKA KEELING	2,350,000	0.82%
11	BARLEY HOLDINGS PTY LTD	2,255,374	0.79%
12	MR TONY JOHN LAMBERT & MRS SHANE LAMBERT <CAMBRIDGE SUPER FUND A/C>	2,050,000	0.72%
13	EMNET PTY LTD	2,000,000	0.70%
13	PARISI HOLDINGS PTY LTD <SUPERANNUATION FUND A/C>	2,000,000	0.70%
14	TRILLIAN BOOKS PTY LTD	1,999,083	0.70%
15	MR ANDREW KANG	1,930,435	0.67%
16	MR BRENDON GABRIEL CONNOR	1,914,983	0.67%
17	PARISI HOLDINGS PTY LTD <DAVID BARNAO FAMILY A/C>	1,700,435	0.59%
18	MISS YUNG YUNG SO	1,685,325	0.59%
19	MR GRAEME CARRAN	1,657,291	0.58%
20	GRANBOROUGH PTY LTD <AJ & J KING S/F A/C>	1,500,000	0.52%
	Total	79,727,024	27.84%
	Total issued capital - selected security class(es)	286,379,891	100.00%

4) On-Market Buy Back

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