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STRATEGIC
ELEMENTS



Annual Report
30 June 2022

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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

Registered office

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Solicitors

Lavan
Level 20, 1 William Street
Perth WA 6000

Auditors

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

Securities Exchange Listing

ASX Limited
ASX Code: SOR

Share Register

Automic Group
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Perth WA 6000
Tel: 1300 288 664
www.automicgroup.com.au

REVIEW OF OPERATIONS

Strategic Elements Pooled Development Fund

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

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

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

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

However, Strategic Elements does not operate like a typical venture fund.

- The Company doesn't seek an extensive portfolio of minority 10- 20% investments. Instead, it aims to generate a smaller number of ventures in collaboration with teams of leading scientists or innovators.
- Strategic Elements majority funds the initial development of each venture whilst seeking a key investor that could strongly assist commercialisation.
- Collaborations with Universities and other government research organisations provide access to over \$100M of institutional, technical infrastructure and equipment.
- Collaborations for government funding combined with the Federal Government Research and Development Rebate (cash back) significantly reduces cash impact on shareholders.
- The Company seeks returns through a trade sale or listing of a venture, a licensing deal or income generated from a particular venture.

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

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

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Australian Advanced Materials (AAM) (100%)

Wholly owned venture Australian Advanced Materials Pty Ltd (AAM) is developing the Energy Ink™ technology with a world-leading material science team at the University of New South Wales. The technology opportunity is for an environmentally friendly, renewable, and cost-effective method of harvesting energy from moisture in the air. Trademarks of Energy Ink™ and Powered by Moisture™ have been applied for and will be adopted moving forward.

The Energy Ink™ is being developed by integrating significant existing ink formulations and printed electronics intellectual property from AAM's Nanocube Memory Ink technology with an advanced graphene oxide material.

The advanced graphene oxide-based Energy Ink™ enables extremely thin and lightweight cells to be printed onto surfaces such as glass and plastic. The cells are powered solely by moisture in the air, a readily available, environmentally friendly energy source. Unlike traditional batteries, Energy Ink™ uses green, sustainable materials that are safe and non-flammable and can be flexed and bent around the human body or other structures when printed onto flexible plastic.

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Traditional battery technologies reduce the freedom of design for new electronic devices. The Energy Ink™ technology is designed to be a simple sandwich architecture consisting of a top and bottom electrode with a functionalised material. With this simple architecture, the Energy Ink™ cells can be printed in various shapes and sizes, enabling the technology to fit into new electronic devices with different flexibility, size and shape requirements.

Screen printed graphene-oxide-based cells that harvest energy from airborne water molecules could potentially directly power a device, complement a battery by extending device life or providing energy for battery storage. These different use cases provide alternative commercialisation and partnering options for AAM.

Potential benefits include:

- **Self-charging through ambient moisture mechanisms**
- **Environmentally friendly**
- **Non-flammable**
- **Low cost**
- **Attractive and flexible form factor**
- **Ease of production and integration**
- **Facilitates widespread development of non-conventional electronic devices**

Highly Skilled Team and Collaboration

The materials science group at The University of New South Wales (UNSW) have developed deep experience in printed, electronic inks, energy

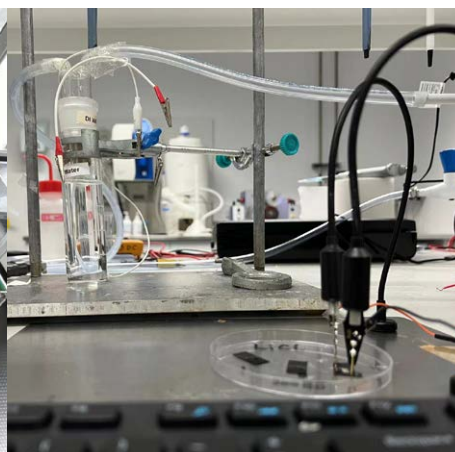
harvesting and storage over the past ten years and are applying that experience to develop the Battery Ink technology. UNSW School of Materials Science and Engineering is ranked #1 in Australia for material science. The group has attracted over AUD \$20M in research funding. UNSW has several partnerships and collaborates with leading companies such as Boral, Hitachi Chemical, One Steel and many more. The Material Science and Research group at UNSW has world-class infrastructure and equipment geared towards advanced materials engineering and fabrication.

During the Year

Significant advances were made throughout the year. AAM committed to providing the technical team with the freedom to pursue deep research and development and trial-and-error materials engineering with the aspiration of achieving a further step change in energy generated from the Energy Ink™.

Successful nanoionics materials engineering created a step-change in the ability to convert moisture in the air to electrical energy. The development resulted in significant technological breakthroughs covered by multiple patent applications.

AAM successfully demonstrated the potential to increase the electrical charge capacity from milliamp-hours (mAh) to ampere-hours (Ah). This firmly establishes the technology as a world leader globally and significantly broadens its potential use in electronics with enhanced power requirements.



Throughout the year, the AAM materials science team worked to develop, implement and validate multiple technology breakthroughs into a world-first Energy Ink™ Pack. The objective is to print an Energy Ink™ Pack using green, sustainable, safe materials able to harvest an ampere-hour range of electrical charge solely from moisture in the air. **Development is firmly on track, and AAM expects results to be available in Q3, 2022.**

One of the first electronic devices to be powered by the Energy Ink™ will be electronic skin patches that monitor health, well-being, sports performance, etc. Printed/flexible electronics are exceptionally well suited to wearable skin patches due to their low weight, flexibility/conformality, and potential for high-throughput, low-cost manufacturing of these disposable items.

These devices have lower power requirements but still, have a substantial existing market growing rapidly. Most electrical current needs are lower; less capacity is needed (< 220mAh), and duration needs are shorter (7-14 days) than for other electronic devices. **Notwithstanding this, electronic skin patch annual revenues in 2021 were over USD 10 billion, with USD 30 billion forecast by 2031¹. A technology demonstrator is currently under development and intended to be completed in Q4 2022.**

Most development has been focused on 36cm² cells targeted for electronic skin patches. However, throughout the year, AAM worked to increase the Energy Ink™ cell size area to test the impact on power output from larger printed cells. During this process, significant potential

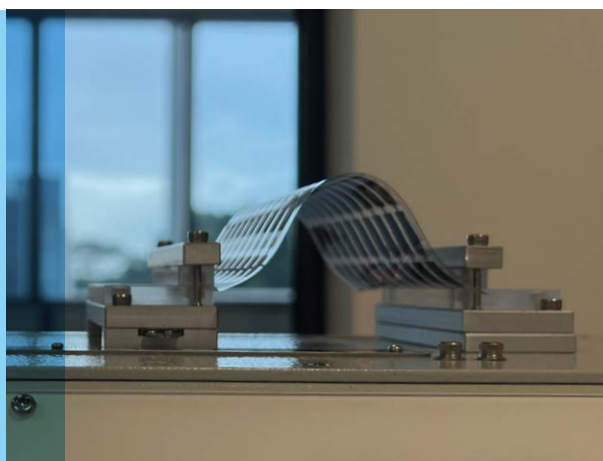
Intellectual Property was developed, and the team subsequently focused on acquiring data and conducting experiments to complete multiple new patent applications. **UNSW has equipment that can screen print features as small as 100 micrometres and as large as 3m² (30,000 cm²).** Commercial printing equipment can produce small electrical components to multi-square meters, from single-sheet production to long continuous print runs. **Results of the investigation into larger Energy Ink™ cell sizes are intended to be available in Q3, 2022.**

Despite the difficulty in general capital markets, the Company believes the imperative for more innovative, renewable energy creation and power sources will continue to grow.

Unlike lithium-based batteries, Energy Ink™ uses green, sustainable materials that are safe and non-flammable and can be flexed and bent around the human body or structures when printed onto flexible plastic.

The Energy Ink™ technology is still in early development, and the fundamental upper limit of aspects such as maximum power output, duration and energy density remains unknown. Significantly, the team identified multiple avenues to potentially increase performance. Secondary work has also commenced on various aspects such as ink formulation, battery cell size and architecture relevant to applications requiring different performance characteristics than electronic skin patches. The Company will communicate these developments as appropriate.

The Energy Ink™ technology is still far from reaching its maximum potential as the team continues to discover, develop and showcase the ability to enhance the technology's ability to harvest energy from moisture. Research and development will also commence on the global battery market for IoT devices and sensors during the next period. **This sector is already significant, with USD 8.7 billion in 2019 and is projected by Markets and Markets to grow to USD 15.9 billion by 2025².**



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Stealth Technologies Pty Ltd (Stealth) (100%)

Stealth is conducting multiple activities in the Autonomous Security, Autonomous Defence and Autonomous Mining sectors. Stealth collaborates with global Fortune 100 software-industrial company Honeywell to develop autonomous security vehicles for the correctional industry.

The global perimeter security market is forecast to reach USD 282.26 Billion by 2025³.

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



Honeywell demonstration at ERGP

PIDS is the first line of defence to deter, detect and delay intruders, prevent escapes and keep staff safe. Operational testing of PIDS infrastructure is required multiple times daily and is only possible through physical interaction between correctional officers and PIDS. This is a critically essential but mundane task for human guards, which may produce inconsistent test results, cause physical damage to PIDS, and reduce testing frequency due to high labour costs. Importantly, PIDS testing engages highly skilled staff for a repetitive, labour-intensive process that can be re-deployed more productively elsewhere in the facility. The correctional sector is increasingly facing labour resource pressures.

During the Year

The world's first ASV completed thousands of advanced Perimeter Intrusion Detection Systems operational tests at a Western Australian prison facility. This included 4,100 autonomous operational tests on the high-security fence sensor system, > 2,300 autonomous operational tests on perimeter photo-electric beam detectors, > 2,200 autonomous operational tests on buried electromagnetic cable detectors and > 1,800 autonomous operational tests on

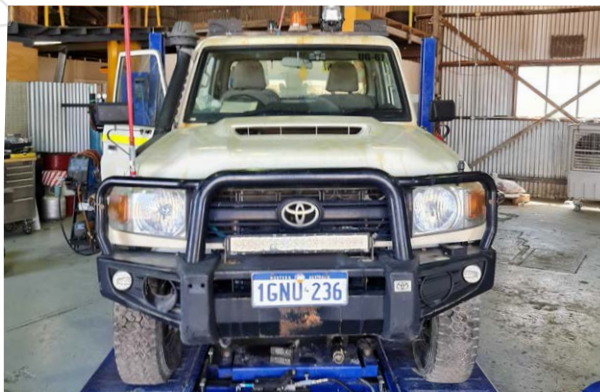
advanced microwave motion sensors. Whilst autonomously testing and patrolling the secure perimeter, the ASV successfully fed hundreds of hours of mobile HD surveillance video to the prison's Patrol Control Centre. Stealth is currently conducting a full review and assessment of ASV missions made to date.

Stealth continued discussions with global Fortune 100 software-industrial company Honeywell, on an agreement to conduct multi-site pilot deployments of Autonomous Security Vehicles. In May 2022, Stealth conducted a live demonstration of the ASV at the Eastern Regional Goldfield Prison for the Vice President & General Manager of Global Services (Honeywell Building Technologies). Stealth was highly pleased with the outcome of the demonstration.

The Stealth team has since significantly upgraded, designed and built an ASV for inclusion in the APAC Honeywell User Group 2022. This event will bring a diverse array of Honeywell customers together to share information, ideas, and experiences with industry peers and will be held in Sydney in August 2022.

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Stealth – Mining Sector



Stealth completed a comparison and detailed analysis of mapping data captured over several weeks by the Stealth Sensor Pack from an underground mine in Western Australia as part of Phase 1 of a pilot investigation with a mining company. The Stealth Sensor Pack captured mapping data of a portion of the mine's underground environment to validate the technology's potential suitability for several potential product applications. The Stealth Sensor Pack was installed onto a production mining vehicle to continually collect and process mapping data for the duration of the trial.

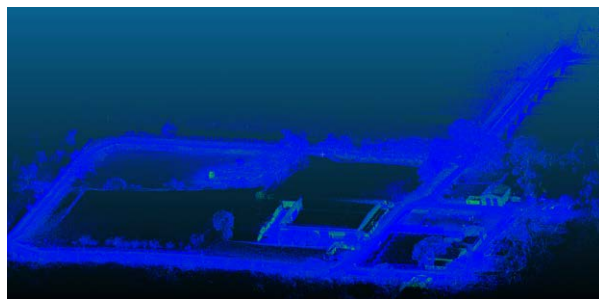
The next stage will see the parties decide whether to proceed to Phase 2 of the pilot investigation.

Stealth – Agriculture

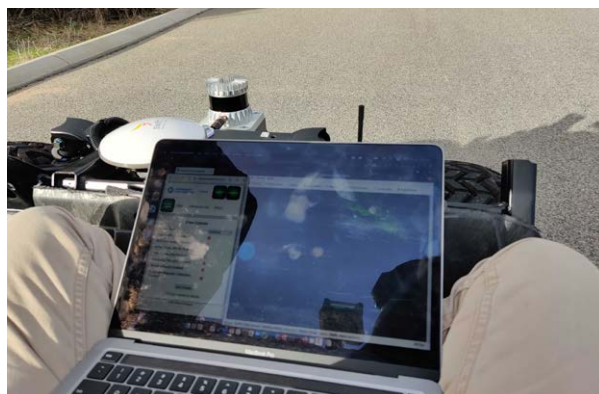


Stealth is also developing technology to automate the capture and integration of multiple data types and produce 3D location maps of agricultural weeds. 3D Mapping of agricultural weeds will

enable farmers to apply modern agronomy to weed management. Stealth collaborates with the Australian Herbicide Resistance Initiative, a world-leading global research group in herbicide resistance and its management in cropping systems. Stealth's technology was successfully deployed as pilot technology onto John Deere, CASE, New Holland, and MacDon combine harvesting equipment. **Stealth has been enhancing its sensor pack in preparation for an expanded live trial and validation of the technology.**



Stealth – Defence Sector



Stealth is also collaborating with the Defence Science Technology Group (DSTG), part of the Australian Department of Defence, and the University of Western Australia to build a world-first, autonomous drone-carrying vehicle that automates the detection and sensing of chemical, biological, radiological and nuclear (CBRN) agents. **The Stealth team has progressed CBRN proxy sensor and drone integration in preparation for a live trial of the Stealth AxV stack flying drones with the DSTG CBRN detection algorithms.**

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COGNITION ENGINES

Cognition Engines (CE) (100%)

Strategic Elements Ltd has been actively conducting due diligence on various potential opportunities to transform how data is used. During the year, Strategic engaged leading data systems sector expert Michael Counsel to provide commercialisation services to Strategic Elements Ltd group companies.

Michael spent 20 years with Oracle Corporation (USD 190 Billion market cap), where he held senior positions, including Group Vice President and Chief Technology Officer Asia Pacific and Director Enterprise Architecture. Michael and his team repeatedly drove multi-million dollar deals. They incubated the development and deployment of new and horizon technologies and industry solutions with deal sizes over USD 10M for software licenses with ongoing annual support and services of millions per account.

Along with his commercial roles, Michael focused on technology and developing high-performance computing, large-scale data management and analysis algorithms. Michael was also formerly CTO and VP of Consulting, Products and Services Asia Pacific-Japan and Europe-Middle East-Africa for Symantec Corporation. He ran the consulting and cyber security services businesses.

Maria Resources Pty Ltd (Maria) (100%)

Maria focuses on technology metals (e.g. Ni, Cu, Au, REE, PGE (platinum group elements) related to batteries and advanced technologies and applying innovative geological models to unexplored terrains. The highly underexplored Madura Province on the Nullarbor is experiencing increased activity with exploration tenement applications by companies including Rio Tinto, BHP Nickel West, Chalice Gold Mines (under JV with Sensore) and more recently by Northern Mineral Resources (NMR). Maria owns the Leviathan Project (technology metals) and recently expanded Cyclops Project (technology metals).

Maria negotiated with traditional owners and reviewed further geological interpretation, geophysics, historical drilling and exploration in the wider Madura Province. This led to tenements E69/4051 and E69/4059 being applied for and the commencement of the new Red Rock Project (technology metals). **Maria has an early mover advantage in securing tenements in an emerging frontier exploration for technology metals.**

¹ IDC : Electronic Skin Patches 2021-2031

² Market and Markets : Battery Market for IoT 2020-2025)

³ DataIntelto : Global Perimeter Security Market 2020-2026

Corporate

On 27 January 2022 1,000,000 shares were issued to a member of staff as compensation for services rendered. On 28 January 2022 1,500,000 Performance Rights (PR) previously issued to Directors, were converted to shares.

On 1 April 2022 2,000,000 PRs were issued to a consultant vesting over 2 years. The fair value of those PRs allocated to the period ended 30 June 2022 is \$15,670 based on a fair value of 6.29 cents per PR. The PRs will vest dependent on the achievement of specific performance hurdles.

The total expense recognised in the year for share-based payments is \$255,670 (2021: \$140,929).

Operating result for the year

The consolidated entity's loss for the year ended 30 June 2022 was \$3,465,939 (year ended 30 June 2021: \$2,356,797).

Review of financial condition

At 30 June 2022, the consolidated entity had \$4,823,717 in cash and term deposit balances (30 June 2021 : \$7,925,403).

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

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

Likely developments and expected results

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

Environmental legislation

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

Indemnification and insurance of Directors and Officers

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

Dividends

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

Directors

Your directors have pleasure in submitting their report, together with the financial statements on the consolidated entity (referred to hereafter as the "consolidated entity" or the "Group") consisting of Strategic Elements Limited (referred to hereafter as the "Company" or "parent entity") and the entities it controlled at the end of, or during the year ended 30 June 2022.

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

Charles Murphy Managing Director and Acting Chairman

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

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

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

Number of fully paid ordinary shares: 9,000,000
Performance Rights: –

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.

Number of fully paid ordinary shares: 7,092,526
Performance Rights: –

Elliot Nicholls Executive Director

Mr Nicholls has worked in corporate advisory focusing on financial analysis and business model development. Mr Nicholls has a Bachelor of Electronic Engineering with First Class Honours and a Bachelor of Commerce (Finance) from The University of Western Australia.

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

Mr Nicholls was appointed to the board in January 2009.

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

Directors were in office for this entire period.

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

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

Dividends

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

Principal activities

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

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for the key management personnel ("KMP") of the Company for the financial year ended 30 June 2022. The information provided in this remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

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

Key Management Personnel

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

Remuneration philosophy

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

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

Remuneration Committee

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

Remuneration structure

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

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The maximum aggregate payable to non-executive directors approved by shareholders is \$100,000 per annum.

Director and executive remuneration

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

Fixed remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary. No advice has been obtained during the year.

Directors and executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company. The fixed remuneration component of the most highly remunerated Company directors and executives is detailed in Table 1 in this report.

Variable remuneration

The objective of the short-term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short-term incentive available is to be set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

Actual payments may be granted to each executive dependent on the extent to which specific operating targets set at the beginning of the financial year are met.

The Company may also make payments to reward senior executives in a manner that aligns remuneration with the creation of shareholder wealth.

Employee Share Option Plan

Under the terms of the Company's employee share option plan (Plan), the Board may offer options to Eligible Persons or Directors of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in future and other factors the Board considers relevant. Upon receipt of such an offer, the Eligible Person may nominate an associate to be issued with the options. The maximum number of options to be issued under the Plan at any one time is 5% of the total number of shares on issue in the Company provided that the Board may increase this percentage, subject to the Corporations Act and the ASX listing rules.

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

Executive Service Agreements

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

- Mr Charles Murphy (Managing Director and Acting Chairman)
 - Under the agreement the Company will pay up to a maximum of \$282,000 per annum (exclusive of GST) in return for executive services and will provide reimbursement for all reasonable travel, accommodation and general expenses.
 - Termination by the Company is no less than a 3 month notice period by either party or by paying the aggregate of amounts which, but for such termination, would otherwise have been paid. In addition to this a 3 month termination payment will be paid.
- Mr Matthew Howard (Director)
 - Under the agreement the Company will pay up to a maximum of \$212,000 per annum (exclusive of GST) in return for executive services and will provide reimbursement for all reasonable travel, accommodation and general expenses.
 - Termination by the Company is no less than a 3 month notice period by either party or by paying the aggregate of amounts which, but for such termination, would otherwise have been paid. In addition to this a 3 month termination payment will be paid.
- Mr Elliot Nicholls (Director)
 - Under the agreement the Company will pay up to a maximum of \$212,000 per annum (exclusive of GST), in return for executive services and will provide reimbursement for all reasonable travel, accommodation and general expenses.
 - Termination by the Company is no less than a 3 month notice period by either party or by paying the aggregate of amounts which, but for such termination, would otherwise have been paid.

REMUNERATION REPORT (Audited) (continued)

Table 1: Remuneration of key management personnel (KMP) for the year ended 30 June 2022 and the year ended 30 June 2021:

| | | Short-term employee benefits | | Post-employment benefits | Equity | | Total | Performance Related % |
|----------------------------------|------|------------------------------|-----------------------|--------------------------|---------------------------|---------|---------|-----------------------|
| | | Fixed Salary & fees | Variable remuneration | Superannuation | Performance Rights Shares | Options | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | |
| Executive directors | | | | | | | | |
| Charles Murphy | 2022 | 282,000 | 25,000 | - | - | - | 307,000 | - |
| | 2021 | 273,500 | 20,000 | - | 62,384 | - | 355,884 | 17.53 |
| Matthew Howard | 2022 | 212,000 | 25,000 | - | - | - | 237,000 | - |
| | 2021 | 203,500 | 20,000 | - | 62,384 | - | 285,884 | 21.82 |
| Elliot Nicholls | 2022 | 212,000 | 25,000 | - | - | - | 237,000 | - |
| | 2021 | 203,500 | 20,000 | - | 16,161 | - | 239,661 | 6.74 |
| Total executive directors | 2022 | 706,000 | 75,000 | - | - | - | 781,000 | - |
| | 2021 | 680,500 | 60,000 | - | 140,929 | - | 881,429 | 15.99 |

Share-based payments**Performance Rights**

There were 2,000,000 Performance Rights issued during the year (2021: nil). They were issued to a consultant as part of their contract for services agreement. The PRs are issued in 3 tranches vesting dependent on the achievement of non-market related performance hurdles. The fair value was calculated by applying management's estimate of probability of the outcomes being achieved, against the share price on grant date of \$0.19. The PRs vest over 2 years.

| Performance hurdle # | PRs No. | Probability | Fair value \$ |
|-----------------------|---------|-------------|---------------|
| Performance hurdle #1 | 500,000 | 50% | 47,500 |
| Performance hurdle #2 | 750,000 | 30% | 42,750 |
| Performance hurdle #3 | 750,000 | 25% | 35,625 |

There were 1,500,000 Performance Rights converted to shares during the year (2021: 7,000,000).

No Performance Rights vested or expired during the year.

Ordinary shares

During the year 1,000,000 shares were issued to a member of staff as remuneration. The shares were fair valued at \$240,000 being the closing share price on the grant date.

The total expense recognised in the year for share-based payments is \$255,670 (2021: \$140,929).

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

Directors' meetings

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

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

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

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, Nexia Perth Audit Services Pty Ltd (Nexia Perth), to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 17 and forms part of this directors' report for the year ended 30 June 2022.

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 (2021: \$3,150)

Signed in accordance with a resolution of the directors.



Charles Murphy
Managing Director
Perth WA, 12th August 2022

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 2022 there have been:

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



Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen
Director

Perth
12 August 2022

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

| | Notes | CONSOLIDATED | |
|---|-------|--------------------|--------------------|
| | | 2022 \$ | 2021 \$ |
| Continuing operations | | | |
| Contract revenue | 2 (a) | 184,500 | 127,000 |
| Cost of sales of goods | | - | (147,825) |
| Gross profit | | 184,500 | (20,825) |
| Other income | 2(b) | 471,354 | 1,050,606 |
| Depreciation | 2(c) | (19,577) | (6,869) |
| Insurances | | (77,908) | (55,316) |
| Marketing | | (106,422) | (179,630) |
| Professional fees | | (140,661) | (330,333) |
| Project development expenditure | | (1,206,272) | (820,668) |
| Regulatory & compliance | | (170,568) | (184,560) |
| Remuneration | 22(b) | (781,000) | (740,500) |
| Other employees' costs | | (862,611) | (664,907) |
| Rent & outgoings | | (57,565) | (64,168) |
| Share-based payments | 10 | (255,670) | (140,929) |
| Other expenses | | (439,722) | (200,287) |
| Operating loss | | (3,462,122) | (2,358,386) |
| Foreign exchange losses | | (2,363) | (888) |
| Interest received | 2(d) | 1,334 | 5,442 |
| Interest expense | 2(d) | (2,788) | (2,965) |
| | | (3,817) | 1,589 |
| Loss before income tax | | (3,465,939) | (2,356,797) |
| Income tax expense | 3 | - | - |
| Loss for the year | | (3,465,939) | (2,356,797) |
| 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 | | (3,465,939) | (2,356,797) |
| Basic and diluted loss per share (cents per share) | 4 | (0.89) | (0.68) |

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

| | Notes | CONSOLIDATED | |
|----------------------------------|-------|------------------|------------------|
| | | 2022 | 2021 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 4,708,028 | 7,810,003 |
| Trade and other receivables | 6 | 102,491 | 189,003 |
| Term deposit investments | 7 | 115,689 | 115,400 |
| Other current assets | 8 | 69,216 | 63,073 |
| Total current assets | | 4,995,424 | 8,177,479 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 65,268 | 68,279 |
| Total non-current assets | | 65,268 | 68,279 |
| Total assets | | 5,060,692 | 8,245,758 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 429,505 | 450,930 |
| Provisions | 12 | 114,841 | 68,213 |
| Total current liabilities | | 544,346 | 519,143 |
| Total liabilities | | 544,346 | 519,143 |
| Net assets | | 4,516,346 | 7,726,615 |
| Equity | | | |
| Issued capital | 14 | 24,204,710 | 23,938,688 |
| Share-based payments reserve | 15 | 15,670 | 26,022 |
| Accumulated losses | 16 | (19,704,034) | (16,238,095) |
| Total equity | | 4,516,346 | 7,726,615 |

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

| | Notes | Issued capital \$ | Accumulated losses \$ | Share-based payments reserve \$ | Total \$ |
|---------------------------------------|-------|----------------------|-----------------------------|--|------------------|
| Consolidated | | | | | |
| Balance at 1 July 2020 | | 15,970,451 | (13,881,298) | 143,485 | 2,232,638 |
| Loss for the year | | - | (2,356,797) | - | (2,356,797) |
| Total comprehensive loss for the year | | - | (2,356,797) | - | (2,356,797) |
| Issue of shares for cash | | 8,099,981 | - | - | 8,099,981 |
| Share issue costs | | (390,136) | - | - | (390,136) |
| Conversion of PRs for shares | | 258,392 | - | (258,392) | 258,392 |
| Share-based payments | | - | - | 140,929 | 140,929 |
| Balance at 30 June 2021 | | 23,938,688 | (16,238,095) | 26,022 | 7,726,615 |
| Balance at 1 July 2021 | | 23,938,688 | (16,238,095) | 26,022 | 7,726,615 |
| Loss for the year | | - | (3,465,939) | - | (3,465,939) |
| Total comprehensive loss for the year | | - | (3,465,939) | - | (3,465,939) |
| Conversion of PRs | | 26,022 | - | (26,022) | - |
| Share-based payments | | 240,000 | - | 15,670 | 255,670 |
| Balance at 30 June 2022 | | 24,030,793.99 | (19,704,034) | 15,670 | 4,516,346 |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

| | Notes | CONSOLIDATED | |
|---|----------|--------------------|--------------------|
| | | 2022 \$ | 2021 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 205,400 | 133,932 |
| Receipts from Government Grants/Incentives | | 471,354 | 1,043,147 |
| Payments to suppliers | | (1,017,076) | (957,121) |
| Payments to directors & employees | | (1,528,707) | (1,253,758) |
| Payments for project development | | (1,166,165) | (984,950) |
| Payments for leases | | (46,929) | (31,125) |
| Interest received | | 1,347 | 5,481 |
| Interest paid | | (4,345) | (4,286) |
| Net cash used in operating activities | 5 | (3,085,121) | (2,048,680) |
| Cash flows from investing activities | | | |
| Transfer to term deposit investment | | (288) | (75,400) |
| Payments for property, plant and equipment | | (16,566) | (45,911) |
| Net cash used in investing activities | | (16,854) | (121,311) |
| Cash flows from financing activities | | | |
| Proceeds from the issue of shares | | - | 8,099,981 |
| Payments for costs of issue of shares | | - | (390,136) |
| Net cash from investing activities | | - | 7,709,845 |
| Net decrease in cash and cash equivalents | | (3,101,975) | 5,539,854 |
| Cash and cash equivalents at beginning of the year | | 7,810,003 | 2,270,149 |
| Effects of exchange rate changes on cash and cash equivalents | | - | - |
| Cash and cash equivalents at end of the year | 5 | 4,708,028 | 7,810,003 |

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 2022 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 12th August 2022.

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

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

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

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

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

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

The Group has reviewed the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2022. As a result of this review the Group has determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group; therefore, no change is necessary to Group accounting policies.

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.

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

d. Critical accounting estimates and judgements *(continued)*

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 or geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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 2022 and the results of all subsidiaries for the year then ended. Strategic Elements Limited and its subsidiaries are referred to in this financial report as the Group or the consolidated entity.

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

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

f. Revenue and other income

Revenue from contracts with customers

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

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

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

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

f. Revenue and other income *(continued)*

Contract revenue

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

Sale of goods

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

Research and development refund

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

Grant funding

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

Other income

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

g. Income tax

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

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

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

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

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

g. Income tax *(continued)*

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

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

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

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

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

Other taxes

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

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

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

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

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

h. Cash and cash equivalents

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

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

i. Project development expenditure

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

Exploration and evaluation

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

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

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

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

Research and development

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

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

j. Impairment of assets

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

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

k. Trade and other payables

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

l. Issued capital

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

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

m. Share-based payment transactions

Equity settled transactions:

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

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

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

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

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

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

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

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

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

n. Property, plant and equipment

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

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

Office equipment – 2.5 to 15 years

Computer equipment – 2.5 to 4 years

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

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

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.

o. Employee benefits

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

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

(ii) Long service leave

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

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

p. Trade and other receivables

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

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

q. Earnings per share

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

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

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

r. Segment reporting

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

s. Parent entity financial information

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

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

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

(ii) Share-based payments

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

NOTE 2. REVENUE AND EXPENSES

| | CONSOLIDATED | |
|--|--------------|-----------|
| | 2022 | 2021 |
| | \$ | \$ |
| (a) Revenue from contracts with customers | | |
| Sale of goods | - | 102,000 |
| Rendering of services | 184,500 | 25,000 |
| | 184,500 | 127,000 |
| (b) Other income | | |
| Research & development tax offset | 471,354 | 942,674 |
| Job seeker grant | - | 42,000 |
| Sundry income | - | 65,932 |
| | 471,354 | 1,050,606 |
| (c) Expenses | | |
| Depreciation of non-current assets | 19,577 | 6,869 |
| (d) Finance Costs | | |
| Bank interest received and receivable | 1,334 | 5,442 |
| Bank interest paid and payable | (2,788) | (2,965) |
| | (1,454) | 2,477 |

NOTE 3. INCOME TAX

| | CONSOLIDATED | |
|---|--------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Reconciliation of tax expense to statutory tax: | | |
| Loss for the year | (3,465,939) | (2,356,797) |
| Tax benefit at the applicable tax rate of 25.00% (2021: 26.00%) | (866,485) | (612,767) |
| s.40-880 expenses | (20,221) | (12,214) |
| Permanent differences | 74,536 | 56,081 |
| Change in temporary differences | 77,462 | 48,583 |
| Difference in tax rate of Parent entity taxed at 25% due to Pooled Development Status | - | 11,440 |
| Underprovision/(overprovision) of prior year tax losses | (30,878) | 199,903 |
| Unrecognised tax losses | 765,586 | 308,974 |
| Tax expense reported in statement of profit and loss and other comprehensive income | - | - |
| Unrecognised deferred tax assets | | |
| Carried forward tax losses | 2,966,774 | 2,232,066 |
| Temporary differences | 77,462 | 48,583 |
| Components of deferred tax | | |
| Accrued income | 23,233 | 27,286 |
| Prepayments | 9,951 | (5,840) |
| Accruals | 32,620 | 21,242 |
| Provisions | 11,657 | 5,895 |
| Tax Losses | 2,966,774 | 2,232,066 |
| Unrecognised deferred tax assets | (3,044,235) | (2,280,649) |
| | - | - |

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 | |
|--|-----------------|-----------------|
| | 2022 | 2021 |
| | Cents per share | Cents per share |
| Basic loss per share from continuing operations | (0.89) | (0.68) |
| <i>Basic loss per share</i> | | |
| The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows: | | |
| - Loss (\$) | (3,465,939) | (2,356,797) |
| - Weighted average number of ordinary shares (number) | 389,437,425 | 348,763,453 |
| <i>Diluted loss per share</i> | | |
| Diluted loss per share has not been calculated as the result is anti-dilutive in nature. | | |

NOTE 5. CASH AND CASH EQUIVALENTS

| | CONSOLIDATED | |
|--------------------------|--------------|-----------|
| | 2022 | 2021 |
| | \$ | \$ |
| Cash at bank and on hand | 4,715,516 | 7,810,003 |
| Credit card | (7,488) | - |
| | 4,708,028 | 7,810,003 |

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 | |
|---|--------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss from ordinary activities after income tax | (3,465,939) | (2,356,797) |
| Depreciation | 19,577 | 6,869 |
| Foreign exchange losses | - | - |
| Share-based payments | 255,670 | 140,929 |
| Changes in working capital: | | |
| (Increase)/decrease in other receivables | 86,513 | (77,733) |
| (Increase)/decrease in other assets | (6,144) | (23,706) |
| (Decrease)/increase in trade creditors and accruals | (21,425) | 241,386 |
| (Decrease)/increase in provisions | 46,628 | 20,372 |
| Cash flows from operations | (3,085,120) | (2,048,680) |

NOTE 6. TRADE AND OTHER RECEIVABLES

| | CONSOLIDATED | |
|---------------------|--------------|---------|
| | 2022 | 2021 |
| | \$ | \$ |
| Interest receivable | 14 | 28 |
| Sundry receivable | 44,000 | 64,900 |
| GST recoverable | 58,477 | 124,075 |
| | 102,491 | 189,003 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 7. TERM DEPOSIT INVESTMENT

| | CONSOLIDATED | |
|--------------|--------------|---------|
| | 2022 | 2021 |
| | \$ | \$ |
| Term deposit | 115,689 | 115,400 |

The term deposit investments of \$40,501 and \$75,188 mature on 14th of May 2023 and 2nd June 2023 respectively and attract an interest rate of 0.25%.

NOTE 8. OTHER CURRENT ASSETS

| | CONSOLIDATED | |
|----------------------|--------------|--------|
| | 2022 | 2021 |
| | \$ | \$ |
| Prepayments | 68,529 | 62,386 |
| Other current assets | 687 | 687 |
| | 69,216 | 63,073 |

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

| | Research equipment | Office equipment | Computer equipment | Total |
|--------------------------|-----------------------|---------------------|-----------------------|----------|
| Consolidated | \$ | \$ | \$ | \$ |
| At 30 June 2022 | | | | |
| Cost | 38,290 | 38,308 | 54,823 | 131,421 |
| Accumulated depreciation | (11,999) | (22,441) | (31,713) | (66,153) |
| At 30 June 2022 | 26,291 | 15,867 | 23,110 | 65,268 |
| At 30 June 2021 | | | | |
| Cost | 38,290 | 38,308 | 38,257 | 114,855 |
| Accumulated depreciation | (2,427) | (19,024) | (25,125) | (46,576) |
| At 30 June 2021 | 35,863 | 19,284 | 13,132 | 68,279 |

| | Research equipment | Office equipment | Computer equipment | Total |
|--|-----------------------|---------------------|-----------------------|----------|
| Consolidated | \$ | \$ | \$ | \$ |
| Year ended 30 June 2022 | | | | |
| At 1 July 2021 net of accumulated depreciation | 35,863 | 19,284 | 13,132 | 68,279 |
| Additions | - | - | 16,566 | 16,566 |
| Depreciation charge for the year | (9,572) | (3,417) | (6,588) | (19,577) |
| At 30 June 2022 | 26,291 | 15,867 | 23,110 | 65,268 |
| Year ended 30 June 2021 | | | | |
| At 1 July 2020 | - | 22,931 | 437 | 23,368 |
| Additions | 38,290 | - | 13,490 | 51,780 |
| Write offs | | | | |
| Depreciation charge for the year | (2,427) | (3,647) | (795) | (6,869) |
| At 30 June 2021 | 35,863 | 19,284 | 13,132 | 68,279 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 10. SHARE-BASED PAYMENTS

| | 2022 | 2021 |
|-----------------------------------|---------|---------|
| | \$ | \$ |
| Performance rights ⁽¹⁾ | 15,670 | 140,929 |
| Ordinary shares ⁽²⁾ | 240,000 | - |
| | 255,670 | 140,929 |

(1) Performance rights

There were 2,000,000 Performance Rights (PRs) issued during the year (2021: nil). They were issued to a consultant as part of their contract for services agreement. The PRs, which carry a 2 year term, are issued in 3 tranches vesting dependent on the achievement of non-market related performance hurdles. The fair value of \$125,875 was calculated by applying management's estimate of probability of the outcomes being achieved, against the share price on grant date of 1 April 2022 of \$0.19. The PRs vest over 2 years commencing 1 April 2022. The expense for the current year is \$15,670 (2021: \$nil).

The performance hurdles relate to development and commercial sales of software being developed by the Company.

The performance hurdles and management's probability of outcome of those hurdles being satisfied are set out below:

| Performance hurdle # | PRs No. | Probability of outcome | Fair value \$ |
|-----------------------|---------|------------------------|---------------|
| Performance hurdle #1 | 500,000 | 50% | 47,500 |
| Performance hurdle #2 | 750,000 | 30% | 42,750 |
| Performance hurdle #3 | 750,000 | 25% | 35,625 |

There were 1,500,000 Performance Rights converted to shares during the year (2021: 7,000,000).

No Performance Rights vested or expired during the year.

| | 2022 | 2021 |
|--|-------------|-------------|
| Performance Rights | No. | No. |
| Outstanding at the beginning of the year | 1,500,000 | 8,500,000 |
| Granted during the year | 2,000,000 | - |
| Converted during the year | (1,500,000) | (7,000,000) |
| Outstanding at the end of the year | 2,000,000 | 1,500,000 |
| Vested at the end of the year | - | 1,500,000 |

(2) Ordinary shares

During the year 1,000,000 shares were issued to a member of staff in recognition of their performance over a 5 year period of service. The shares were fair valued at \$240,000 by applying the number of shares issued to the closing share price of \$0.24 on the grant date of 27 January 2022.

The total expense recognised in the year for share-based payments is \$255,670 (2021: \$140,929).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 11. TRADE AND OTHER PAYABLES

| | CONSOLIDATED | |
|-------------------------------|--------------|---------|
| | 2022 | 2021 |
| | \$ | \$ |
| Trade payables ⁽ⁱ⁾ | 177,902 | 314,050 |
| Accrued expenses | 251,603 | 136,880 |
| | 429,505 | 450,930 |

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms with the exception of insurance premiums of \$33,022 (2021: \$26,880) which are payable in monthly instalments at a flat interest rate of 6.5%. The final instalment is due 15 January 2023.

NOTE 12. PROVISIONS

| | CONSOLIDATED | |
|----------------------------|--------------|--------|
| | 2022 | 2021 |
| | \$ | \$ |
| Provision for annual leave | 114,841 | 68,213 |
| | 114,841 | 68,213 |

NOTE 13. REMUNERATION OF AUDITORS

| | CONSOLIDATED | |
|--|--------------|--------|
| | 2022 | 2021 |
| | \$ | \$ |
| Amounts received & receivable by the auditor: | | |
| Nexia Perth Audit Services Pty Ltd | | |
| - audit and review of the financial reports of the Group | 36,305 | 31,410 |
| - other services | 3,500 | 3,500 |
| | 39,805 | 34,910 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 14. ISSUED CAPITAL

| | 2022 | 2021 |
|---------------------------------------|---------------|------------|
| | \$ | \$ |
| Issued capital | | |
| Ordinary shares issued and fully paid | 24,030,793.99 | 23,938,688 |

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.

| | 2022 | | 2021 | |
|---|------------------|---------------|------------------|------------|
| | Number of shares | \$ | Number of shares | \$ |
| Movement in ordinary shares on issue | | | | |
| At beginning of year | 388,379,891 | 23,938,688 | 286,379,891 | 15,970,451 |
| Shares issued for cash | - | - | 95,000,000 | 8,099,981 |
| Shares issued on conversion of PRs | 1,500,000 | 26,022 | 7,000,000 | 258,392 |
| Shares issued to staff | 1,000,000 | 240,000 | - | - |
| Share issue costs | - | - | - | (390,136) |
| At end of year | 390,879,891 | 24,030,793.99 | 388,379,891 | 23,938,688 |

NOTE 15. RESERVES

| | CONSOLIDATED | |
|--|--------------|-----------|
| | 2022 | 2021 |
| | \$ | \$ |
| Share-based payment reserve | | |
| Balance at beginning of year | 26,022 | 143,485 |
| Performance rights issued during the year | 15,670 | 140,929 |
| Performance rights converted during the year | (26,022) | (258,392) |
| Balance at end of financial year | 15,670 | 26,022 |

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 | |
|---------------------------------|--------------|--------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Movement in accumulated losses: | | |
| Balance at beginning of year | (16,238,095) | (13,881,298) |
| Loss for the year | (3,465,939) | (2,356,797) |
| Balance at end of year | (19,704,034) | (16,238,095) |

NOTE 17. FINANCIAL INSTRUMENTS

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

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

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

| | CONSOLIDATED | |
|--|--------------|-----------|
| | 2022 | 2021 |
| | \$ | \$ |
| (a) Categories of financial instruments | | |
| Financial assets | | |
| Cash and cash equivalents | 4,708,028 | 7,810,003 |
| Trade and other receivables | 44,013 | 64,926 |
| Term deposit investments | 115,689 | 115,400 |
| | 4,867,730 | 7,990,329 |
| Financial liabilities | | |
| Trade and other payables | 375,070 | 421,343 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 | | | |
|----------------------------------|-----------------|---------------|-----------------|---------------|
| | 2022 | | 2021 | |
| | Carrying amount | Interest rate | Carrying amount | Interest rate |
| | \$ | % | \$ | % |
| Variable rate instruments | | | | |
| Cash and bank balances | 4,708,028 | 0.05 | 7,810,003 | 0.05 |
| Fixed rate instruments | | | | |
| Term deposit investments | 115,689 | 0.25 | 115,400 | 0.25 |

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2021.

| | Equity | | Profit or loss | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 100bp increase | 100bp decrease | 100bp increase | 100bp decrease |
| 30 June 2022: Consolidated | | | | |
| Variable rate instruments | 47,080 | (47,080) | 47,080 | (47,080) |
| 30 June 2021: Consolidated | | | | |
| Variable rate instruments | 78,100 | (78,100) | 78,100 | (78,100) |

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

The Group also has insurance premiums of \$33,022 (2021: \$26,680) which are payable in monthly instalments at a flat interest rate of 6.5%. The final instalment is due 15 January 2023.

(c) Net fair values

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

| 30 June 2021: Consolidated Financial liabilities | Less than 1 month \$ | 1 to 3 months \$ | 3 months to 1 year \$ | 1 to 5 years \$ | Total \$ |
|--|----------------------------|------------------------|-----------------------------|--------------------|-------------|
| Non-interest bearing | 394,663 | - | - | - | 394,663 |
| Interest bearing | 3,811 | 7,623 | 15,246 | - | 26,680 |
| | 398,474 | 7,623 | 15,246 | - | 421,343 |

(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:

| | Liabilities | | Assets | |
|---------------------|-------------|-------|--------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Consolidated | \$ | \$ | \$ | \$ |
| New Zealand dollars | 5,076 | 9,655 | 15,856 | 21,067 |

Foreign currency sensitivity analysis

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

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

| | Increase | | Decrease | |
|-------------------------------|----------|-------|----------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| NZD impact | | | | |
| Profit or loss ⁽ⁱ⁾ | 1,078 | 1,141 | (1,078) | (1,141) |
| Other equity | 1,078 | 1,141 | (1,078) | (1,141) |

(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.

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

| | CONSOLIDATED | |
|--|--------------|-----------|
| | 2022 | 2021 |
| | \$ | \$ |
| Within one year | 546,836 | 216,000 |
| Later than one year but not later than 5 years | 2,187,344 | 864,000 |
| | 2,734,180 | 1,080,000 |
| b) Office lease commitments | | |
| Within one year | 3,807 | 2,594 |
| Later than one year but not later than 5 years | - | - |
| | 3,807 | 2,594 |

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. Reportable segments disclosed are based on aggregating tenements and permits where the tenements and permits are considered to form a single project. This is indicated by:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 19. SEGMENT INFORMATION *(continued)*

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

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

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

Segment liabilities

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

Unallocated items

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

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

| | Resources | Technology | Unallocated (Corporate) | Total |
|---|-----------|-------------|----------------------------|-------------|
| Consolidated | \$ | \$ | \$ | \$ |
| Year ended 30 June 2022: | | | | |
| Segment revenue & other income | 12 | 656,081 | 1,094 | 657,187 |
| Segment result | (172,432) | (1,760,017) | (1,533,490) | (3,465,939) |
| Included within segment revenue & result: | | | | |
| Contract revenue | - | 184,500 | - | 184,500 |
| R&D tax offset | - | 471,354 | - | 471,354 |
| Depreciation | - | (10,059) | (9,518) | (19,577) |
| Interest income | 12 | 229 | 1,094 | 1,334 |
| Segment assets | 188,844 | 698,485 | 4,173,364 | 5,060,693 |
| Segment liabilities | 9,394 | 272,232 | 262,720 | 544,346 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 19. SEGMENT INFORMATION (continued)

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

NOTE 20. RELATED PARTY DISCLOSURES

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

| Name | Country of Incorporation | % Equity Interest | | Investment \$ | |
|--|-----------------------------|-------------------|------|---------------|------|
| | | 2022 | 2021 | 2022 | 2021 |
| Maria Resources Pty Ltd | Australia | 100 | 100 | 1 | 1 |
| Cognition Engines Pty Ltd | Australia | 100 | 100 | 1 | 1 |
| Strategic Materials Pty Ltd | Australia | 100 | 100 | 1 | 1 |
| Australian Advanced Materials Pty Ltd | Australia | 100 | 100 | 1 | 1 |
| Stealth Technologies Pty Ltd | Australia | 100 | 100 | 1 | 1 |

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 20. RELATED PARTY DISCLOSURES *(continued)*

Transactions with related entities:

Director related entities

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

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 \$600 plus GST during the year (2021: \$2,200 plus GST).

There were no amounts outstanding between Enbit and the consolidated entity at 30 June 2022 (2021: \$nil).

NOTE 21. PARENT ENTITY INFORMATION

As at, and throughout, the financial year ending 30 June 2022 the parent company of the Group was Strategic Elements Limited.

Financial position of Parent entity at year end

| | 30 June 2022 | 30 June 2021 |
|----------------------|--------------|--------------|
| | \$ | \$ |
| Assets | | |
| Current assets | 4,135,553 | 7,637,110 |
| Non-current assets | 643,512 | 363,652 |
| Total assets | 4,779,065 | 8,000,762 |
| Liabilities | | |
| Current liabilities | 262,719 | 274,147 |
| Total liabilities | 262,719 | 274,147 |
| Equity | | |
| Issued capital | 24,204,710 | 23,938,688 |
| Retained earnings | (19,704,034) | (16,238,095) |
| Reserves | | |
| Share-based payments | 15,670 | 26,022 |
| Total equity | 4,516,346 | 7,726,615 |

Financial performance of Parent entity for the year

| | Year ended 30 June 2022 | Year ended 30 June 2021 |
|----------------------------|----------------------------|----------------------------|
| | \$ | \$ |
| Loss for the year | (3,465,939) | (2,356,797) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (3,465,939) | (2,356,797) |

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

Directors

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

(b) Key management personnel compensation

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

| | CONSOLIDATED | |
|---------------------|----------------------------|----------------------------|
| | Year ended 30 June 2022 | Year ended 30 June 2021 |
| | \$ | \$ |
| Short term benefits | 781,000 | 740,500 |
| Equity benefits | - | 140,929 |
| Total | 781,000 | 881,429 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

(c) Performance Rights holdings of Key Management Personnel

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

| 30 June 2021 | Balance at beginning of year No. | Granted as remuneration No. | Converted during the year No. | Balance at end of year No. | Vested No. | Not vested No. |
|------------------|-------------------------------------|--------------------------------|----------------------------------|-------------------------------|------------------|-------------------|
| Directors | | | | | | |
| Charles Murphy | 3,500,000 | - | (2,750,000) | 750,000 | 750,000 | - |
| Matthew Howard | 3,500,000 | - | (2,750,000) | 750,000 | 750,000 | - |
| Elliot Nicholls | 1,500,000 | - | (1,500,000) | - | - | - |
| Total | 8,500,000 | - | (7,000,000) | 1,500,000 | 1,500,000 | - |

NOTE 24. EVENTS SUBSEQUENT TO REPORTING DATE

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

DIRECTORS' DECLARATION

1. In the opinion of the directors of Strategic Elements Limited (the 'Company'):
 - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 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 2022.

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



Charles Murphy
Managing Director
Dated this 12th day of August 2022

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 2022, 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 2022 and of its performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

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

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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.

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 2022 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.

We evaluated the Group's funding and liquidity position at 30 June 2022 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 14-month period from 1 July 2022 to 31 August 2023;
- assessed the reliability and completeness of management's assumptions by comparing the forecast cash flows to those of the current and previous years and as well as our understanding of future planned events and operating conditions; and
- considered events subsequent to year end to determine whether any additional facts or information have become available since the date on which management made its assessment.

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

Auditor's responsibility for the audit of the financial report

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

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

https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 15 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Strategic Elements Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen

Director

Perth

12 August 2022

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Additional information required by the ASX Limited and not shown elsewhere in this report is as follows. This information is current as at 2 August 2022.

1) Substantial shareholders

The Company has no substantial shareholders.

2) Information on equity security classes

a) Ordinary Shares

390,879,891 fully paid ordinary shares are held by 10,472 shareholders. All issued shares carry one vote per share and carry the rights to dividends. 3,307 shareholders had an unmarketable parcel of less than \$500 given a share value of 13.5c.

The number of shareholders by size of holding:

| | Ordinary shares | |
|------------------|-------------------|------------------|
| | Number of holders | Number of shares |
| 1 – 1,000 | 736 | 496,218 |
| 1,001 – 5,000 | 3,556 | 10,129,574 |
| 5,001 – 10,000 | 2,020 | 16,348,872 |
| 10,001 – 100,000 | 3,589 | 122,764,035 |
| 100,001 and over | 661 | 241,141,192 |
| Total | 10,562 | 390,879,891 |

b) Options and Performance Rights on issue:

| | Ordinary shares | |
|-------------------------------------|-----------------|---------|
| | Units | Holders |
| Options @ \$0.40 expires 23/04/2023 | 3,000,000 | 1 |
| Performance Rights | 2,000,000 | 1 |

ADDITIONAL SECURITIES EXCHANGE INFORMATION *(continued)*

3) Top 20 shareholders

The twenty largest holders of quoted equity securities are:

| Rank | Holder Name | Holding | % IC |
|------|---|--------------------|----------------|
| 1 | ROBINIA PARTNERS PTY LTD <GIRAFFE CM A/C> | 9,000,000 | 2.30% |
| 2 | EMNET PTY LTD | 7,163,334 | 1.83% |
| 3 | KIM HOWARD & MR MATTHEW HOWARD <HOWARD FAMILY A/C> | 7,092,526 | 1.81% |
| 4 | MR TONY JOHN LAMBERT & MRS SHANE LAMBERT <CAMBRIDGE SUPER FUND A/C> | 5,323,334 | 1.36% |
| 5 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 3,275,961 | 0.84% |
| 6 | MR DAVID ANTHONY BARNAO | 2,967,366 | 0.76% |
| 7 | ATEQ INVESTMENTS PTY LTD | 2,316,000 | 0.59% |
| 8 | MR ANTHONY ROBERTS | 2,084,585 | 0.53% |
| 9 | FEAR GOD PTY LTD <PEACEFUL TREASURE SF A/C> | 2,033,334 | 0.52% |
| 10 | STEVEN MURPHY ELECTRICAL CONTRACTORS PTY LTD <SRM SUPER FUND A/C> | 1,802,943 | 0.46% |
| 11 | CITICORP NOMINEES PTY LIMITED | 1,777,993 | 0.45% |
| 12 | JL THINK PTY LTD <THINK S/F A/C> | 1,550,912 | 0.40% |
| 13 | MR GINO SIROTICH | 1,500,000 | 0.38% |
| 14 | JOPETCO PTY LTD <RP & JB HOSE SUPER FUND A/C> | 1,333,334 | 0.34% |
| 15 | MR JOHN FREDERICK MICHAUX | 1,250,696 | 0.32% |
| 16 | MR DENNIS FRANCIS DAL SANTO | 1,235,000 | 0.32% |
| 17 | BNP PARIBAS NOMS PTY LTD <DRP> | 1,227,440 | 0.31% |
| 18 | MR TONY JOHN LAMBERT | 1,209,929 | 0.31% |
| 19 | SUPERHERO SECURITIES LIMITED <CLIENT A/C> | 1,204,678 | 0.31% |
| 20 | MR WILLIAM DEAN JOHNSTONE | 1,188,912 | 0.30% |
| | Totals | 55,349,365 | 14.16% |
| | Total Issued Capital | 390,879,891 | 100.00% |

4) On-Market Buy Back

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

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