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STRATEGIC ELEMENTS LIMITED

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020
(ABN 47 122 437 503)



STRATEGIC
ELEMENTS



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Corporate Information

Directors

Charles Murphy (Managing Director)
 Matthew Howard (Executive Director)
 Elliot Nicholls (Executive Director)

Company Secretary

Matthew Howard

Registered office

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 Subiaco WA 6008
 Australia

Principal place of business

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Website: www.strategicelements.com.au

Auditors

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

Solicitors

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

Share Registry

Automic Group
 Level 2, 267 St George's Terrace
 Perth WA 6153
 Australia
 Telephone: 1300 288 664
 Website: www.automicgroup.com.au

ASX code: SOR

The directors of Strategic Elements Limited ("the Company") submit here with the interim financial report of Strategic Elements Limited and its subsidiaries ("Consolidated entity" or "Group") (ASX code: SOR) for the half-year ended 31 December 2020. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Company during or since the end of the half-year are:

Mr. C. Murphy	Managing Director
Mr. M. Howard	Executive Director
Mr. E. Nicholls	Executive Director

Directors were in office for the entire period.

REVIEW OF OPERATIONS

(a) Overview

The Company remains registered under the Pooled Development Fund program. Benefits for shareholders are described on the Company's website.

(b) Operating result

The Group incurred an after-tax loss for the half-year ended 31 December 2020 of \$1,341,065 (2019: \$1,827,950). The loss was attributable to the funding of project developments conducted through the Group's subsidiaries and the costs associated with operating an ASX listed company in Australia.

Net assets of the Group increased from \$2,232,638 to \$5,943,297 during the period primarily as a result of a share purchase plan raising \$5,100,000 before issue costs, conversion of performance rights to shares.

(c) Corporate

On 31 December 2020 the Group had a cash balance of \$6,003,725 (30 June 2020: \$2,270,149).

During the period the Company raised \$5,100,000 before issue costs through a share purchase plan issuing 85,000,000 shares at an issue price of 6 cents per share.

The Company also issued 7,000,000 shares to directors on the conversion of performance rights granted previously.

EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date no matter or circumstance has arisen which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Nexia Perth Audit Services Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 3 and forms part of the directors' report for the half-year ended 31 December 2020. This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(5) of the Corporations Act 2001.

On behalf of the Directors



Charles Murphy
Managing Director
Perth, 26 February 2021

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 review for the half-year ended 31 December 2020 there have been:

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

NPAS

Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen
Director

Perth
26 February 2021

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Note	CONSOLIDATED	
		Half-year ended	Half-year ended
		31-Dec-20	31-Dec-19
		\$	\$
Revenue	2	43,000	41,500
Cost of goods sold		(268,489)	-
Gross profit/(loss)		(225,489)	41,500
Other income	2	107,932	152,501
Project development		(116,466)	(927,818)
Employee benefits	3	(605,302)	(645,772)
Depreciation		(2,661)	(4,590)
Marketing expense		(90,640)	(116,749)
Professional fees		(46,088)	(65,868)
Regulatory and compliance		(49,804)	(48,951)
Rent and outgoings		(31,348)	(24,582)
Share-based payment expense	4	(140,929)	(49,829)
Other expenses		(143,490)	(148,533)
Loss from operating activities		(1,344,285)	(1,838,691)
Financial income		4,710	15,660
Financial expenses		(1,140)	(1,084)
Foreign exchange differences		(360)	(3,835)
Net financing income		3,210	10,741
Loss before income tax expense		(1,341,065)	(1,827,950)
Income tax expense		-	-
Loss for the period		(1,341,065)	(1,827,950)
Total comprehensive loss for the period		(1,341,065)	(1,827,950)
Basic and diluted loss per share (cents per share)		(0.42) cents	(0.69) cents

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	CONSOLIDATED	
		31-Dec-20	30-Jun-20
		\$	\$
Current assets			
Cash and cash equivalents		6,003,725	2,270,149
Trade and other receivables		62,124	111,270
Term deposit investments		40,000	40,000
Other assets		71,259	39,366
Total current assets		6,177,108	2,460,785
Non-current assets			
Plant and equipment		31,336	23,368
Total non-current assets		31,336	23,368
Total assets		6,208,444	2,484,153
Current liabilities			
Trade and other payables		212,734	203,674
Provisions		52,413	47,841
Total current liabilities		265,147	251,515
Total liabilities		265,147	251,515
Net assets		5,943,297	2,232,638
Equity			
Issued capital	5	21,139,638	15,970,451
Share-based payment reserve		26,022	143,485
Accumulated losses		(15,222,363)	(13,881,298)
Total equity		5,943,297	2,232,638

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	CONSOLIDATED	
	Half-year ended	Half-year ended
	31-Dec-20	31-Dec-19
	\$	\$
Cash flows from operating activities		
Income received	209,405	194,001
Interest received	4,509	15,660
Interest paid	(3,452)	(1,084)
Project development expenditure	(387,130)	(271,186)
Payments to suppliers and employees	(989,924)	(1,134,313)
Net cash used in operating activities	(1,166,592)	(1,196,922)
Cash flows from investing activities		
Payments for plant and equipment	(10,627)	-
Net cash used in financing activities	(10,627)	-
Cash flows from financing activities		
Proceeds from the issue of shares	5,100,000	2,348,000
Share issue costs	(189,205)	(14,280)
Net cash from financing activities	4,910,795	2,333,720
Net Increase in cash and cash equivalents	3,733,576	1,136,798
Cash and cash equivalents at the beginning of the period	2,270,149	2,390,475
Effect of exchange rates on cash balances	-	(3,835)
Cash and cash equivalents at the end of the period	6,003,725	3,523,438

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Issued Capital	Share-based payment Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2019	13,636,731	-	(11,333,472)	2,303,259
<i>Total comprehensive loss for the period</i>				
Loss for the period	-	-	(1,827,950)	(1,827,950)
Total comprehensive loss for the period	-	-	(1,827,950)	(1,827,950)
Share-based payment	-	49,829	-	49,829
Issue of shares for cash	2,348,000	-	-	2,348,000
Share issue costs	(14,280)	-	-	(14,280)
Balance at 31 December 2019	15,970,451	49,829	(13,161,422)	2,858,858
Balance at 1 July 2020	15,970,451	143,485	(13,881,298)	2,232,638
<i>Total comprehensive loss for the period</i>				
Loss for the period	-	-	(1,341,065)	(1,341,065)
Total comprehensive loss for the period	-	-	(1,341,065)	(1,341,065)
Share-based payment	-	140,929	-	140,929
Transfer to issued capital on conversion of performance rights	258,392	(258,392)	-	-
Issue of shares for cash	5,100,000	-	-	5,100,000
Share issue costs	(189,205)	-	-	(189,205)
Balance at 31 December 2020	21,139,638	26,022	(15,222,363)	5,943,297

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

Statement of compliance

The interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 'Interim Financial Reporting' and other pronouncements of the Australian Accounting Standards Board ("AASB"). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The condensed consolidated interim financial report does not include full disclosure of the type normally included in an annual financial report, and accordingly this report should be read in conjunction with the most recent annual financial report and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX listing rules.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. The Consolidated entity, comprising Strategic Elements Limited, Strategic Materials Pty Ltd, Australian Advanced Materials Pty Ltd, Maria Resources Pty Ltd and Stealth Technology Pty Ltd is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Company's financial report for the financial year ended 30 June 2020.

For the purpose of preparing the report, the half-year has been treated as a discrete reporting period.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as the Consolidated entity in these financial statements). Control is achieved 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 accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Consolidated entity.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses, profit and losses resulting from intra-group transactions have been eliminated in full.

New Standards and Interpretations applicable for the half-year ended 31 December 2020

For the half-year ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

New Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to the Group's accounting policies.

Significant Accounting Judgements and Key Estimates

The preparation of this interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report the significant judgements made by management in applying the Consolidated entity's accounting policies and key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2020.

2. Revenue

	1 July 2020 to 31 December 2020 \$	1 July 2019 to 31 December 2019 \$
Revenue		
Project revenue	43,000	41,500
Total for the period	43,000	41,500
Other income		
Sale of tenement	-	150,000
Government grants	42,000	-
Refunds	65,932	2,501
	107,932	152,501
Total for the period	150,932	194,001

3. Employee benefits

	1 July 2020 to 31 December 2020 \$	1 July 2019 to 31 December 2019 \$
Directors' fees	364,900	374,900
Other employee salaries	240,402	270,872
Total for the period	605,302	645,772

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Share-based payments

Performance rights

On 27 September 2019 shareholders approved the issue of 8,500,000 Performance Rights ("PRs"), with a fair value of \$284,414, to Directors of the Company. As a result of vesting conditions being fulfilled all PRs vested during the period.

The total expense recognised in the period for share-based payments is \$140,929 (2019: \$49,829).

On 4 November 2020 7,000,000 PRs were converted to ordinary shares. The fair value of those PRs was \$258,392.

The movement in PRs on issue to Directors was as follows:

	6 months to 31 December 2020 Number	12 months to 30 June 2020 Number
<i>Movements in performance rights on issue</i>		
At beginning of period	8,500,000	-
Issued during the period	-	8,500,000
Converted during the period	(7,000,000)	-
Balance at end of period	1,500,000	8,500,000

5. Issued capital

	31 December 2020 \$	30 June 2020 \$
<i>Issued and paid up capital</i>		
Fully paid ordinary shares	21,139,638	15,970,451

	6 months to 31 December 2020 \$	12 months to 30 June 2020 \$
<i>Movements in fully paid shares on issue</i>		
At beginning of period	15,970,451	13,636,731
Shares issued on the conversion of performance rights	258,392	-
Shares issued for cash	5,100,000	2,348,000
Share issue costs	(189,205)	(14,280)
Balance at end of period	21,139,638	15,970,451

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Issued capital (continued)

	6 months to 31 December 2020 Number	12 months to 30 June 2020 Number
<i>Movements in fully paid shares on issue</i>		
At beginning of period	286,379,891	242,246,454
Shares issued on the conversion of performance rights	7,000,000	-
Shares issued for cash	85,000,000	39,133,437
Balance at end of period	378,379,891	286,379,891

6. Commitments and Contingencies

	31 December 2020 \$	30 June 2020 \$
Commitments		
Office lease expenditure commitments		
Not later than 1 year	3,776	21,552
Later than 1 year but not later than 5 years	-	-
	3,776	21,552
Exploration expenditure commitments		
Minimum exploration expenditure:		
Not later than 1 year	195,000	135,000
Later than 1 year but not later than 5 years	1,583,000	780,000
	1,778,000	915,000

Capital commitments includes minimum expenditures and rent payable under granted tenements. The Company also has the discretion to surrender one or more of these tenements and thereby avoid payment of these commitments.

In the opinion of the directors there were no contingent liabilities at the date of this report apart from the below agreement.

Land Access and Mineral Exploration Agreement

Under the terms of the Land Access and Mineral Exploration Agreement entered into by the Company in October 2018, the entity has an obligation to make certain payments in relation to the annual expenditure and rent in respect of that licence. The majority of the payments are subject to the commencement of exploration activities, which cannot be reliably measured at this time.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Segment Information

The following table presents the segment information provided to the Board of Directors for the half-year periods ended 31 December 2019 and 31 December 2020:

	Resources	Technology	Unallocated Corporate	Total
	\$	\$	\$	\$
31 December 2019				
Segment revenue	152,501	41,500	-	194,001
Segment result	(508,464)	(578,304)	(741,182)	(1,827,950)
Included within segment results:				
Depreciation	-	(1,701)	(2,889)	(4,590)
Financial income	36	-	15,624	15,660
Financial expense	-	-	(1,084)	(1,084)
Segment assets	216,348	120,503	3,395,346	3,732,197
Segment liabilities	505,393	261,466	106,480	873,339
31 December 2020				
Segment revenue	65,932	85,000	-	150,932
Segment result	(21,813)	(464,134)	(855,118)	(1,341,065)
Included within segment results:				
Depreciation	-	(705)	(1,956)	(2,661)
Financial income	15	202	4,493	4,710
Financial expense	(332)	-	(1,168)	(1,500)
Segment assets	119,349	264,922	5,824,173	6,208,444
Segment liabilities	4,934	125,032	135,181	265,147

8. Events after the reporting date

Subsequent to the reporting date no matter or circumstance has arisen which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

9. Related Parties

Key management personnel continue to receive compensation in the form of short term employee benefits and post-employment benefits.

10. Subsidiaries

The Company has a 100% interest in Strategic Materials Pty Ltd (incorporated 18 November 2009), Maria Resources Pty Ltd (incorporated 8 April 2011), Australian Advanced Materials Pty Ltd (incorporated 27 July 2010) and Stealth Technologies Pty Ltd (incorporated 4 November 2015). All subsidiaries were incorporated in Australia for \$1 each.

DIRECTORS' DECLARATION

In the opinion of the Directors of the Company:

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - (a) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Charles Murphy
Managing Director
Perth, 26 February 2021

Independent Auditor's Review Report to the members of Strategic Elements Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Strategic Elements Limited (the "Company") and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, notes comprising a summary of accounting policies, selected other explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the interim period.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Strategic Elements Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year period ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410), in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.



Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen
Director

Perth
26 February 2021

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