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STRATEGIC
ELEMENTS

STRATEGIC ELEMENTS LIMITED

ABN 47 122 437 503

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2022

STRATEGIC ELEMENTS LIMITED

<i>Contents</i>	<i>Page</i>
Corporate information	2
Directors' report	3
Auditor's independence declaration	5
Condensed consolidated statement of profit or loss and other comprehensive income	6
Condensed consolidated statement of financial position	7
Condensed consolidated statement of cash flows	8
Condensed consolidated statement of changes in equity	9
Notes to the condensed consolidated financial statements	10
Directors' declaration	15
Independent review report to the members of Strategic Elements Limited	16

STRATEGIC ELEMENTS LIMITED

CORPORATE INFORMATION

Directors

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

Company Secretary

Matthew Howard

Registered office

138 Churchill Avenue
Subiaco WA 6008
Australia

Principal place of business

138 Churchill Avenue
Subiaco WA 6008
Australia

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Facsimile: +61 8 9288 4400

Website: www.strategicelements.com.au

Auditors

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

Solicitors

Lavan
Level 20, 1 William Street
Perth WA 6000
Australia

Share Registry

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

ASX code: SOR

STRATEGIC ELEMENTS LIMITED

DIRECTORS' REPORT

The directors of Strategic Elements Limited submit herewith the interim financial report of Strategic Elements Limited ("Company") and its subsidiaries ("Consolidated entity" or "Group") (ASX code: SOR) for the half-year ended 31 December 2022. 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 & Acting Chairman
Mr. M. Howard	Executive Director and Company Secretary
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 2022 of \$1,286,743 (2021: \$1,881,620). 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 decreased from \$4,516,346 to \$3,261,287 during the period as a result of incurring a loss of \$1,286,743 (2021: \$1,881,620).

(c) Corporate

On 31 December 2022 the Group had a cash balance of \$3,362,938 (30 June 2022: \$4,708,028).

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 5 and forms part of the directors' report for the half-year ended 31 December 2022.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Charles Murphy
Managing Director
Perth, 15 February 2023

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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 2022 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
15 February 2023

STRATEGIC ELEMENTS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	CONSOLIDATED	
		Half-year ended 31 Dec 2022 \$	Half-year ended 31 Dec 2021 \$
Revenue	2	15,000	184,500
Cost of goods sold		-	-
Gross profit		15,000	184,500
Other income	2	450,749	-
Project development		(583,765)	(753,845)
Employee benefits	3	(753,536)	(802,631)
Depreciation		(11,287)	(8,839)
Marketing expense		(38,895)	(67,783)
Professional fees		(99,762)	(45,260)
Regulatory and compliance		(85,005)	(107,250)
Rent and outgoings		(24,269)	(27,866)
Share-based payment expense	4	(31,684)	-
Other expenses		(134,749)	(253,572)
Loss from operating activities		(1,297,203)	(1,882,546)
Financial income		12,393	426
Financial expenses		(1,501)	(1,321)
Foreign exchange differences		(432)	1,821
Net financing income		10,460	926
Loss before income tax expense		(1,286,743)	(1,881,620)
Income tax expense		-	-
Loss for the period		(1,286,743)	(1,881,620)
Total comprehensive loss for the period		(1,286,743)	(1,881,620)
Basic and diluted loss per share (cents per share)		(0.33) cents	(0.48) cents

The accompanying notes form part of these financial statements.

STRATEGIC ELEMENTS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	CONSOLIDATED	
		31 Dec 2022	30 Jun 2022
		\$	\$
Current assets			
Cash and cash equivalents		3,362,938	4,708,028
Trade and other receivables		102,331	102,491
Term deposit investments		115,688	115,689
Other assets		109,904	69,216
Total current assets		3,690,861	4,995,424
Non-current assets			
Plant and equipment		53,981	65,268
Total non-current assets		53,981	65,268
Total assets		3,744,842	5,060,692
Current liabilities			
Trade and other payables		368,590	429,505
Provisions		114,965	114,841
Total current liabilities		483,555	544,346
Total liabilities		483,555	544,346
Net assets		3,261,287	4,516,346
Equity			
Issued capital	5	24,204,710	24,204,710
Share-based payment reserve		47,354	15,670
Accumulated losses		(20,990,777)	(19,704,034)
Total equity		3,261,287	4,516,346

The accompanying notes form part of these financial statements.

STRATEGIC ELEMENTS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	CONSOLIDATED	
	Half-year ended 31 Dec 2022 \$	Half-year ended 31 Dec 2021 \$
Cash flows used in operating activities		
Receipts from customers	15,000	205,400
Receipts from Government Grants/Incentives	450,749	-
Interest received	10,986	439
Interest paid	(1,558)	(1,321)
Project development expenditure	(522,911)	(773,975)
Payments to suppliers and employees	(1,297,356)	(1,288,269)
Net cash used in operating activities	(1,345,090)	(1,857,726)
Cash flows used in investing activities		
Payments for plant and equipment	-	(9,743)
Net cash used in financing activities	-	(9,743)
Net decrease in cash and cash equivalents	(1,345,090)	(1,867,469)
Cash and cash equivalents at the beginning of the period	4,708,028	7,810,003
Effect of exchange rates on cash balances	-	-
Cash and cash equivalents at the end of the period	3,362,938	5,942,534

The accompanying notes form part of these financial statements.

STRATEGIC ELEMENTS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Issued Capital	Share-based payment Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2021	23,938,688	26,022	(16,238,095)	7,726,615
<i>Total comprehensive loss for the period</i>				
Loss for the period	-	-	(1,881,620)	(1,881,620)
Total comprehensive loss for the period	-	-	(1,881,620)	(1,881,620)
Balance at 31 December 2021	23,938,688	26,022	(18,119,715)	5,844,995
Balance at 1 July 2022	24,204,710	15,670	(19,704,034)	4,516,346
<i>Total comprehensive loss for the period</i>				
Loss for the period	-	-	(1,286,743)	(1,286,743)
Total comprehensive loss for the period	-	-	(1,286,743)	(1,286,743)
Share-based payments	-	31,684	-	31,684
Balance at 31 December 2022	24,204,710	47,354	(20,990,777)	3,261,287

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, Stealth Technology Pty Ltd and Cognition Engines 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 2022.

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 2022

For the half-year ended 31 December 2022, 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. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations on issue and therefore, no change is necessary to Group accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies**New Standards and Interpretations on 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 2022. 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 Group 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 Groups' 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 2022.

2. Revenue

	6 months to 31 December 2022	6 months to 31 December 2021
	\$	\$
Revenue		
Project revenue	15,000	184,500
Total for the period	<u>15,000</u>	<u>184,500</u>
Other income		
Government grants	450,749	-
	<u>450,749</u>	<u>-</u>
Total for the period	<u>465,749</u>	<u>184,500</u>

3. Employee benefits

	6 months to 31 December 2022	6 months to 31 December 2021
	\$	\$
Directors' fees	353,000	353,000
Other employee salaries	400,536	449,631
Total for the period	<u>753,536</u>	<u>802,631</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Share-based payments

Performance rights

The total expense recognised in the period for performance rights (PRs) on issue is \$31,684 (2022: \$nil).

The movement in PRs on issue was as follows:

	6 months to 31 December 2022	12 months to 30 June 2022
	Number	Number
<i>Movements in performance rights on issue</i>		
At beginning of period	2,000,000	1,500,000
Granted during the period	-	2,000,000
Converted during the period	-	(1,500,000)
Outstanding at the end of the period	2,000,000	2,000,000
Vested at end of the period	-	-

5. Issued capital

	31 December 2022	30 June 2022
	\$	\$
<i>Issued and paid up capital</i>		
Fully paid ordinary shares	24,204,710	24,204,710

	6 months to 31 December 2022	12 months to 30 June 2022
	\$	\$
<i>Movements in fully paid shares on issue</i>		
At beginning of period	24,204,710	23,938,688
Shares issued on the conversion of performance rights	-	26,022
Shares issued to staff	-	240,000
Balance at end of period	24,204,710	24,204,710

Issued capital as per ASIC returns at 31 December 2022 is \$24,030,794.

STRATEGIC ELEMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Issued capital (continued)

	6 months to 31 December 2022 Number	12 months to 30 June 2022 Number
<i>Movements in fully paid shares on issue</i>		
At beginning of period	390,879,891	388,379,891
Shares issued on the conversion of options	-	1,500,000
Shares issued to staff	-	1,000,000
Balance at end of period	<u>390,879,891</u>	<u>390,879,891</u>

6. Commitments and Contingencies

	31 December 2022 \$	30 June 2022 \$
Commitments		
Office lease expenditure commitments		
Not later than 1 year	30,232	3,807
Later than 1 year but not later than 5 years	-	-
	<u>30,232</u>	<u>3,807</u>
Exploration expenditure commitments		
Minimum exploration expenditure:		
Not later than 1 year	536,283	546,836
Later than 1 year but not later than 5 years	1,230,189	1,495,302
	<u>1,766,472</u>	<u>2,042,138</u>

Capital commitment 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.

STRATEGIC ELEMENTS LIMITED

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 2022 and 31 December 2021:

	Resources	Technology	Unallocated Corporate	Total
	\$	\$	\$	\$
31 December 2022				
Segment revenue	-	465,749	-	465,749
Segment result	(167,697)	(312,390)	(806,656)	(1,286,743)
Included within segment results:				
Depreciation	-	(5,071)	(6,216)	(11,287)
Financial income	142	594	11,657	12,393
Financial expense	-	-	(1,501)	(1,501)
Segment assets	137,938	735,735	2,871,169	3,744,842
Segment liabilities	12,412	328,117	143,026	483,555
31 December 2021				
Segment revenue	-	184,500	-	184,500
Segment result	(110,505)	(874,373)	(896,742)	(1,881,620)
Included within segment results:				
Depreciation	-	(5,071)	(3,768)	(8,839)
Financial income	2	51	373	426
Financial expense	-	-	(1,321)	(1,321)
Segment assets	251,191	396,850	5,656,892	6,304,933
Segment liabilities	3,373	291,937	164,628	459,938

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), Stealth Technologies Pty Ltd (incorporated 4 November 2015) and Cognition Engines Pty Ltd (incorporated 4 June 2021). All subsidiaries were incorporated in Australia for \$1 each.

STRATEGIC ELEMENTS LIMITED

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 Group's financial position as at 31 December 2022 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, 15 February 2023

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

Report on the Interim Financial Report

Conclusion

We have reviewed the 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 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the 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.

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 the Group 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 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 annual 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 review report.

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 review report.

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Responsibility of the Directors 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 internal control as the directors determine is 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 for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

NPAS

Nexia Perth Audit Services Pty Ltd



Muranda Janse Van Nieuwenhuizen
Director

Perth
15 February 2023