



# **STRATEGIC ELEMENTS LIMITED**

(ABN 47 122 437 503)

Annual Report

30 June 2016

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**CORPORATE INFORMATION**

<b>Strategic Elements Limited</b> ABN 47 122 437 503	<b>Solicitors</b> Kings Park Corporate Lawyers, Level 2, 45 Richardson Street, West Perth WA 6005
<b>Directors</b>  Charles Murphy Matthew Howard Elliot Nicholls	<b>Auditors</b>  Nexia Perth Audit Services Pty Ltd Level 3, 88 William Street, Perth WA 6000
<b>Company Secretary</b>  Matthew Howard	<b>Securities Exchange Listing</b>  ASX Limited ASX Code: SOR
<b>Registered office</b>  Suite 6, 27 Railway Road Subiaco WA 6008 Tel: +61 8 9278 2788 Fax: +61 8 9288 4400 Web: <a href="http://www.strategicelements.com.au">www.strategicelements.com.au</a>	<b>Share Register</b>  Security Transfer Registrars, 770 Canning Highway, Applecross WA 6153 Tel: +61 8 9315 2333 Fax: +61 8 9315 2233 <a href="http://www.securitytransfer.com.au">www.securitytransfer.com.au</a>

## MANAGING DIRECTOR'S LETTER

**Dear Shareholder,**

Throughout the year the Company has operated successfully as a listed Pooled Development Fund (PDF) backing Australian innovation and Australian small and medium companies.

The Company has significantly strengthened its balance sheet throughout the period which will greatly assist our existing technology and resources investees and related projects and allow scope for further investment under the Pooled Development Fund Program.

Our 100% owned subsidiary Australian Advanced Materials has moved rapidly through a number of key technical milestones, the culmination of this was the early assignment of the Nanocube Memory Ink technology from the University of New South Wales.

Other 100% owned subsidiaries Maria Resources and Strategic Materials hold genuine greenfield exploration opportunities for the Company with further exploration planned for copper and gold at these projects over the coming year.

Once again we find one of the key benefits of the PDF is the cross sector diversification. The Board will carefully consider sector performance to ensure investment capital translates to growth for the Company and its shareholders.

Finally, the Board looks forward to an exciting period for the Company over the next 12 months and appreciates the ongoing support from all our shareholders.



**Charles Murphy**  
Managing Director



## **DIRECTORS' REPORT**

Your directors submit the annual financial report of the consolidated entity comprising Strategic Elements Limited and the entities it controlled during the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### **Directors**

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

Names, qualifications and experience:

#### **Charles Murphy** – Chairman

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

Mr Murphy led the Company's registration as a Pooled Development Fund. Mr Murphy has experience as a corporate advisor to resources and technology companies providing advice on transaction structuring, strategy and business development. Mr Murphy is a qualified responsible Fund Manager and has a Masters Degree in Business Administration (MBA).

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

#### **Matthew Howard** – Executive Director and Company Secretary

Mr Howard was appointed to the board in December 2008.

Mr Howard has consulted to some of the largest financial institutions including Goldman Sachs, JB Were, Macquarie Bank, ANZ Bank and National Australia Bank. He has helped close numerous large technology transactions with some of the largest US technology companies including Oracle, Sybase and BEA Systems. Mr Howard has a combined Business and Information Technology Bachelor Degree, a Masters Degree in Applied Finance and a postgraduate qualification in Corporate Governance.

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

**DIRECTORS' REPORT (continued)****Elliot Nicholls** – Executive Director

Mr Nicholls was appointed to the board in January 2009.

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

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

**Seng Yap** – Non-Executive Chairman

Mr Yap was appointed Chairman in October 2006. Mr Yap resigned on 1 September 2015.

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

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

Director	Number of fully paid ordinary shares	Performance Rights	Number of options over ordinary shares
C Murphy	21,840,514	4,500,000	-
M Howard	5,555,192	4,500,000	-
E Nicholls	9,350,000	-	-

Details of unissued ordinary shares under options issued to an employee of the Company as at the date of this report are as follows:

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

**Dividends**

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

**Principal activities**

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

**DIRECTORS' REPORT (continued)****Review of operations**

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

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

Investee	Sector	Owned
Australian Advanced Material P/L	Technology	100%
Strategic Materials P/L	Resources	100%
Maria Resources P/L	Resources	100%

**Technology**

The Company, through its subsidiary Australian Advanced Materials (AAM) has rapidly developed the Nanocube Memory Ink under research and development agreements with UNSW. The Nanocube Memory Ink development program is ongoing for the duration of 2016, the Company will continue to advise shareholders of key achievements.

The Company announced on 20th of May 2016 that the existing licence agreement with UNSW for the Nanocube Memory Ink will fall away and full ownership will be passed over to AAM.

This is significant for the Company and is a result of the strong working relationship between the Company and UNSW. Additionally, having full ownership will significantly aid the Company to form global partnerships with other companies in the Printed Electronics sector and enable other corporate activities.

**Resources**

The Company pursued a deliberate strategy to position investments in both the technology and the resources sectors. The Board believes shareholders will ultimately benefit from the fact that a PDF is able to invest across multiple sectors.

The Company, through its investees Strategic Materials Pty Ltd (SML) and Maria Resources Pty Ltd (MRL) has continued to progress the Company's resource projects - Golden Blocks, the Officer and Impact projects.

- Golden Blocks: SML is still progressing work within Golden Blocks whilst negotiating and consultation continues with New Zealand Petroleum and Minerals over the granting of an Exploration Permit. At this stage the Company expects the new permit to be granted by late 2016. During the FY16 period, SML has continued work on Golden Blocks with various consultants in an effort to prepare for exploration activities and further understand the geology of the Golden Blocks area.

Officer Project: The 700 km<sup>2</sup> Officer Project is the first project developed in collaboration with world leading geologist Dr Franco Pirajno. After reviewing the limited exploration within a 54,000km<sup>2</sup> area the Company discovered highly anomalous copper in several historic drill holes drilled 8km apart, which confirmed the Company's position and provides a clear exploration focus.

The Company will continue to work through the remaining considerations with respect to finalising the final Officer Exploration Licences.

- Impact Project: The Ilkurka Project and the Lennis Project are the two impact projects covering potential impact structures. The Company is currently waiting for Exploration Licences to be granted before conducting fieldwork.

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**DIRECTORS' REPORT (continued)****Review of operations (continued)****Corporate**

During the year the Company raised the sum of \$6,400,499 before issue costs through the issue of 55,656,511 shares at an issue price of 11.5 cents per share.

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

During the year 1,000,000 unlisted options were issued to an employee of the Company. The unlisted options have an exercise price of 15 cents and an expiry date of 15 May 2018.

**Operating result for the year**

The consolidated entity's loss for the year ended 30 June 2016 was \$1,637,199 (year ended 30 June 2015: \$921,439).

**Review of financial condition**

At 30 June 2016, the consolidated entity had \$7,273,194 in cash and term deposit balances (30 June 2015: \$2,149,278).

**Significant changes in the state of affairs**

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

**Significant events after balance date**

Subsequent to the balance date the Company issued 500,000 shares on the exercise of 500,000 options exercisable at 10 cents per share. 700,000 options, exercisable at 10 cents per share, also expired subsequent to the balance date.

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

**Likely developments and expected results**

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

**Environmental legislation**

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

## **DIRECTORS' REPORT (continued)**

### **Indemnification and insurance of Directors and Officers**

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

### **Dividends**

No dividends have been paid or declared in the year.

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## REMUNERATION REPORT

This report outlines the remuneration arrangements in place for the key management personnel (“KMP”) of Strategic Elements Limited (the “Company”) for the financial year ended 30 June 2016. The information provided in this remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

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

### Key Management Personnel

Charles Murphy (Managing Director & Acting Chairman)

Matthew Howard (Executive Director)

Elliot Nicholls (Executive Director)

### Remuneration philosophy

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

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

### Remuneration Committee

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

### Remuneration structure

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

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**REMUNERATION REPORT (AUDITED) (continued)****Non-executive director remuneration**

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

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

Each non-executive director receives a fee for being a director of the Company. The remuneration of non-executive directors for the year ended 30 June 2016 is detailed in Table 1 in this report.

**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. In 2016 an accrual of \$25,000 each has been recorded for Executive Director Charles Murphy, and Executive Director Matthew Howard and an accrual of \$5,000 has been recorded for Executive Director Elliot Nicholls.

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

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**REMUNERATION REPORT (AUDITED) (continued)****Employee Share Option Plan**

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

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

**Executive Service Agreements**

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

- Mr Charles Murphy (Managing Director)
  - Under the agreement the Company will pay up to a maximum of \$194,000 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 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 \$155,000 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 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 \$78,000 per annum (exclusive of GST), in return for executive services and will provide reimbursement for all reasonable travel, accommodation and general expenses.
  - Termination by the Company is no less than a 3 month notice 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 2016 and the year ended 30 June 2015:

		Short-term employee benefits		Post-employment benefits	Equity		Total	Performance Related %
		Fixed Salary & fees	Variable remuneration	Superannuation	Performance Rights Shares	Options		
<b>Executive directors</b>								
Charles Murphy	2016	194,000	25,000	-	147,105	-	366,105	47.01
	2015	166,050	25,000	-	-	-	191,050	13.09
Matthew Howard	2016	159,279	25,000	-	147,105	-	331,384	51.94
	2015	125,050	25,000	-	-	-	150,050	16.61
Elliot Nicholls	2016	25,000	5,000	-	-	-	30,000	16.67
	2015	25,000	5,000	-	-	-	30,000	16.67
<b>Sub-total Executive directors</b>	2016	<b>378,279</b>	<b>55,000</b>	-	<b>294,210</b>	-	<b>727,489</b>	<b>48.00</b>
	2015	<b>316,100</b>	<b>55,000</b>	-	-	-	<b>371,100</b>	<b>14.82</b>
<b>Non-Executive director</b>								
Seng Yap*	2016	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-
<b>Sub-total Non-Executive director</b>	<b>2016</b>	-	-	-	-	-	-	-
	<b>2015</b>	-	-	-	-	-	-	-
<b>Total</b>	<b>2016</b>	<b>378,279</b>	<b>55,000</b>	-	<b>294,210</b>	-	<b>727,489</b>	<b>48.00</b>
	<b>2015</b>	<b>316,100</b>	<b>55,000</b>	-	-	-	<b>371,100</b>	<b>14.82</b>

\*Resigned 1 September 2015

In the 2016 financial year Matthew Howard received an amount of \$4,279 over and above the service agreement as a result of a clerical error. There will be an adjustment to correct this in the 2017 financial year.

No options granted were forfeited during the year.

No options or performance rights granted to directors or executives expired during the year.

**REMUNERATION REPORT (AUDITED) (continued)****Share based payments**

## Performance Rights

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

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

The expense recognised during the year for the issue is \$294,210 (2015: \$nil).

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

The following PRs were issued during the year:

<b>Directors</b>	<b>Series No.1</b>	<b>Series No.2</b>	<b>Series No.3</b>	<b>Series No.4</b>
Charles Murphy	750,000	750,000	1,500,000	1,500,000
Matthew Howard	750,000	750,000	1,500,000	1,500,000
	1,500,000	1,500,000	3,000,000	3,000,000

	<b>Series No.1</b>	<b>Series No.2</b>	<b>Series No.3</b>	<b>Series No.4</b>
Value per right (cents)	17.00	17.00	6.58	5.28

The weighted average remaining contractual life of PRs at 30 June 2016 was 14.50 months. The weighted average fair value of PRs at 30 June 2016 was 9.62 cents.

The inputs to the options valuation were:

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

The value of the PRs was calculated using the Binomial pricing method.

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

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

**DIRECTORS' REPORT (continued)****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 meet quarterly, the June 2016 meeting was delayed, therefore only three meetings were recorded in FY16 period.

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

Total number of directors' meetings	Board Meetings	
	Number of meetings eligible to attend	Number of meetings attended
Seng Yap*	-	-
Charles Murphy	3	3
Matthew Howard	3	3
Elliot Nicholls	3	3

\*resigned 1 September 2015

**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 15 and forms part of this directors' report for the year ended 30 June 2016.

**Non-Audit Services**

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

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

Audit of Australian Financial Services Licence (AFSL) - \$2,750 (2015:\$2,500).

Signed in accordance with a resolution of the directors.



Charles Murphy  
Managing Director  
Perth WA, 3<sup>rd</sup> August 2016

**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 2016 there have been:

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



**Nexia Perth Audit Services Pty Ltd**



**PTC Klopper**  
*Director*

Perth  
3<sup>rd</sup> August 2016

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	CONSOLIDATED	
		2016	2015
		\$	\$
Other income	2	78,695	-
		78,695	-
Depreciation	2	(3,492)	(3,444)
Insurances		(30,527)	(27,934)
Professional fees		(73,737)	(43,688)
Project development expenditure		(527,387)	(336,981)
Regulatory & compliance		(115,834)	(46,802)
Remuneration	21(b)	(433,279)	(371,100)
Other employees' costs		(59,541)	(4,747)
Rent & outgoings		(49,275)	(27,524)
Share based payment	9	(304,796)	(7,270)
Other expenses		(136,532)	(78,170)
		<b>(1,655,705)</b>	<b>(947,660)</b>
Foreign exchange losses		(774)	(597)
Interest received	2	21,094	28,624
Interest expense	2	(1,814)	(1,806)
		18,506	26,221
<b>Loss before income tax</b>		<b>(1,637,199)</b>	<b>(921,439)</b>
Income tax expense	3	-	-
<b>Loss for the year</b>		<b>(1,637,199)</b>	<b>(921,439)</b>
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		-	-
<b>Total comprehensive loss</b>		<b>(1,637,199)</b>	<b>(921,439)</b>
Basic and diluted loss per share (cents per share)	4	(0.86)	(0.65)

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2016**

		<b>CONSOLIDATED</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
	<b>Notes</b>		
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	7,273,194	2,149,278
Trade and other receivables	6	44,562	41,480
Other current assets	7	47,998	47,839
<b>Total current assets</b>		<b>7,365,754</b>	<b>2,238,597</b>
<b>Non-current assets</b>			
Property, plant & equipment	8	18,949	7,894
<b>Total non-current assets</b>		<b>18,949</b>	<b>7,894</b>
<b>Total assets</b>		<b>7,384,703</b>	<b>2,246,491</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	234,577	145,355
<b>Total current liabilities</b>		<b>234,577</b>	<b>145,355</b>
<b>Total liabilities</b>		<b>234,577</b>	<b>145,355</b>
<b>Net assets</b>		<b>7,150,126</b>	<b>2,101,136</b>
<b>Equity</b>			
Issued capital	12	12,949,231	6,567,838
Share based payment reserve	13	310,612	7,270
Accumulated losses	14	(6,109,717)	(4,473,972)
<b>Total equity</b>		<b>7,150,126</b>	<b>2,101,136</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Issued capital</b>	<b>Accumulated losses</b>	<b>Option reserve</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Consolidated</b>				
Balance at 1 July 2014	5,166,572	(3,642,957)	90,424	1,614,039
Loss for the year	-	(921,439)	-	(921,439)
Total comprehensive loss for the year	-	(921,439)	-	(921,439)
Shares issued for cash	1,442,000	-	-	1,442,000
Share issue costs	(40,734)	-	-	(40,734)
Expiry of options	-	90,424	(90,424)	-
Share based payment	-	-	7,270	7,270
<b>Balance at 30 June 2015</b>	<b>6,567,838</b>	<b>(4,473,972)</b>	<b>7,270</b>	<b>2,101,136</b>

	<b>Issued capital</b>	<b>Accumulated losses</b>	<b>Option reserve</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Consolidated</b>				
Balance at 1 July 2015	6,567,838	(4,473,972)	7,270	2,101,136
Loss for the year	-	(1,637,199)	-	(1,637,199)
Total comprehensive loss for the year	-	(1,637,199)	-	(1,637,199)
Shares issued for cash	6,400,422	-	-	6,400,422
Share issue costs	(49,029)	-	-	(49,029)
Conversion of options	30,000	1,454	(1,454)	30,000
Share based payments	-	-	304,796	304,796
<b>Balance at 30 June 2016</b>	<b>12,949,231</b>	<b>(6,109,717)</b>	<b>310,612</b>	<b>7,150,126</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 30 JUNE 2016**

		<b>CONSOLIDATED</b>	
		<b>2016</b>	<b>2015</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		78,695	-
Payments to suppliers		(328,935)	(248,723)
Payments to directors & employees		(498,399)	(320,662)
Payments for project development		(512,797)	(438,454)
Interest received		21,094	28,624
Interest paid		(1,814)	(1,806)
<b>Net cash used in operating activities</b>	<b>5</b>	<b>(1,242,156)</b>	<b>(981,022)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(14,547)	(2,387)
<b>Net cash used in investing activities</b>		<b>(14,547)</b>	<b>(2,387)</b>
<b>Cash flows from financing activities</b>			
Shares issued for cash		6,400,422	1,442,000
Proceeds from the exercise of options		30,000	-
Share issue costs		(49,029)	(40,734)
<b>Net cash provided by financing activities</b>		<b>6,381,393</b>	<b>1,401,266</b>
Net increase in cash and cash equivalents		5,124,690	417,857
Cash and cash equivalents at beginning of the year		2,149,278	1,732,018
Effects of exchange rate changes on cash and cash equivalents		(774)	(597)
<b>Cash and cash equivalents at end of the year</b>	<b>5</b>	<b>7,273,194</b>	<b>2,149,278</b>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****a. Basis of compliance and preparation**

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

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

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 2016 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 3<sup>rd</sup> August 2016.

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. Adoption of new and revised standards****New and amended standards adopted in the current year**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2015:

**AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'**

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

**New standards not yet adopted**

The following standards and interpretations have been issued by the AASB, but are not yet effective and have not been adopted by the Group for the period ending 30 June 2016. The Directors have not yet determined the impact of new and amending accounting standards and interpretations applicable 1 July 2016.

<b>Standard/Interpretation</b>	<b>Application date of the standard<sup>1</sup></b>	<b>Applies to financial year ended</b>
AASB 1057 <i>Application of Australian Accounting Standards</i>	1 January 2016	30 June 2017
AASB 2014-3 <i>Accounting for Acquisitions of Interests in Joint Operations – Amendments to AASB 11</i>	1 January 2016	30 June 2017
AASB 2014-4 <i>Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)</i>	1 January 2016	30 June 2017
AASB 2014-9 <i>Equity Method in Separate Financial Statements (Amendments to AASB 127)</i>	1 January 2016	30 June 2017

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**
**NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****b. Adoption of new and revised standards (continued)**

<b>Standard/Interpretation</b>	<b>Application date of the standard<sup>1</sup></b>	<b>Applies to financial year ended</b>
AASB 2015-1 <i>Annual Improvements to Australian Accounting Standards 2012-2014</i>	1 January 2016	30 June 2017
AASB 2015-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i>	1 January 2016	30 June 2017
AASB 2015-5 <i>Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception</i>	1 January 2016	30 June 2017
AASB 2015-9 <i>Amendments To Australian Accounting Standards – Scope And Application Paragraphs</i>	1 January 2016	30 June 2017
AASB 2016-1 <i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]</i>	1 January 2017	30 June 2018
AASB 2016-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	1 January 2017	30 June 2018
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	1 January 2018	30 June 2019
AASB 2014-10 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)</i>	1 January 2018	30 June 2019
AASB 9 <i>Financial Instruments</i>	1 January 2018	30 June 2019
AASB 15 <i>Revenue from Contracts with Customers</i>	1 January 2018	30 June 2019
AASB 16 <i>Leases</i>	1 January 2019	30 June 2020

**c. Critical accounting estimates and judgements**

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

*Share based payment transactions:*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate valuation model and is based on the assumptions detailed in Note 9.

**d. Basis of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Strategic Elements Limited ('Company' or 'parent entity') as at 30 June 2016 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**e. Revenue and other income***Revenue*

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

*R&D Refund*

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

*Other income*

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

**f. Income tax**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****f. 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 balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****g. Cash and cash equivalents**

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

**h. Project development expenditure**

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

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

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

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

**i. Impairment of assets**

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

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

**j. Trade and other payables**

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

**k. Issued capital**

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****I. Share based payment transactions***Equity settled transactions:*

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options granted is determined using an appropriate valuation model, further details of which are given in Note 9.

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

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

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

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).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****m. Property, plant and equipment**

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

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

Office equipment – 2.5 to 15 years

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 statement of profit or loss and other comprehensive income in the other expenses line item.

**(ii) De-recognition and disposal**

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****n. Employee benefits****(i) Wages, salaries, annual leave and sick leave**

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

**(ii) Long service leave**

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

**o. Trade and other receivables**

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

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

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****p. Earnings per share**

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

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

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

**q. Segment reporting**

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

**r. Financial assets**

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

**s. Parent entity financial information**

The financial information for the parent entity, Strategic Elements Limited, disclosed in Note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

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

*(ii) Share based payments*

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 2. REVENUE AND EXPENSES

	CONSOLIDATED	
	2016	2015
	\$	\$
<b>(a) Revenue</b>		
R&D tax offset	73,704	-
Sundry income	4,991	-
	78,695	-
Bank interest received and receivable	21,094	28,624
Bank interest paid and payable	(1,814)	(1,806)
	19,280	26,818
<b>(b) Expenses</b>		
Depreciation of non-current assets	(3,492)	(3,444)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 3. INCOME TAX

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Reconciliation of tax benefits to statutory tax:		
Loss for the year	(1,637,199)	(921,439)
Tax benefit at the applicable tax rate of 30%	(491,160)	(276,432)
s.40-880 expenses	(41,228)	(46,387)
Change in temporary differences	7,762	58,472
Difference in tax rate of Parent Company taxed at 25% due to Pooled Development Status	55,904	34,477
Overprovision of prior year tax losses	(130,375)	(49,968)
Unrecognised tax losses	599,097	279,838
Tax benefit reported in statement of comprehensive income	-	-
<b>Unrecognised deferred tax assets:</b>		
Carried forward tax losses	1,487,365	1,148,737
Temporary differences	19,713	13,930
<b>Components of deferred tax</b>		
Prepayments	(9,018)	(9,222)
Accruals	28,731	23,152
Tax Losses	1,487,365	1,148,737
Unrecognised deferred tax assets	(1,507,078)	(1,162,667)
	-	-

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

- a) The Group derives 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 complies with the conditions for deductibility imposed by the law; and
- c) No changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 4. LOSS PER SHARE

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>Cents per share</b>	<b>Cents per share</b>
Basic loss per share from continuing operations	(0.86)	(0.65)

*Basic loss per share*

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

- Loss (\$)	(1,637,199)	(921,439)
- Weighted average number of ordinary shares (number)	189,703,841	141,910,582

*Diluted loss per share*

Diluted loss per share has not been calculated as the result is anti-dilutive in nature.

## NOTE 5. CASH AND CASH EQUIVALENTS

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	7,273,194	2,149,278
	<u>7,273,194</u>	<u>2,149,278</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**
**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:**

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Loss from ordinary activities after income tax	(1,637,199)	(921,439)
Depreciation	3,492	3,444
Foreign exchange losses	774	597
Share based payments	304,796	7,270
Changes in working capital:		
Increase in other receivables	(3,082)	(19,016)
Increase in other assets	(159)	(19,770)
(Decrease)/increase in trade creditors and accruals	89,222	(32,108)
Cash flows from operations	<u>(1,242,156)</u>	<u>(981,022)</u>

**NOTE 6. TRADE AND OTHER RECEIVABLES**

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
GST recoverable	43,815	40,433
Other receivable	747	747
	<u>44,562</u>	<u>41,180</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 7. OTHER CURRENT ASSETS

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Deposits	11,844	11,844
Prepayments	35,467	35,308
Other current assets	687	687
	47,998	47,839

## NOTE 8. PROPERTY, PLANT AND EQUIPMENT

	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>			
<b>At 30 June 2016</b>			
Cost	10,228	32,358	42,586
Accumulated depreciation	(5,090)	(18,547)	(23,637)
At 30 June 2016 net of accumulated depreciation	5,138	13,811	18,949
<b>At 30 June 2015</b>			
Cost	7,936	20,103	28,039
Accumulated depreciation	(3,979)	(16,166)	(20,145)
At 30 June 2015 net of accumulated depreciation	3,957	3,937	7,894
<b>Consolidated</b>			
<b>Year ended 30 June 2016</b>			
At 1 July 2015 net of accumulated depreciation	3,957	3,937	7,894
Additions	2,292	12,255	14,547
Depreciation charge for the year	(1,111)	(2,381)	(3,492)
At 30 June 2016 net of accumulated depreciation	5,138	13,811	18,949
<b>Year ended 30 June 2015</b>			
At 1 July 2014 net of accumulated depreciation	4,917	4,034	8,951
Additions	-	2,387	2,387
Depreciation charge for the year	(960)	(2,484)	(3,444)
At 30 June 2015 net of accumulated depreciation	3,957	3,937	7,894

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 9. SHARE BASED PAYMENTS

*Options*

There were 1,000,000 options granted during the year (2015: 1,500,000 options). The options which are exercisable at 15 cents, expire on 15 May 2018 and vest on 15 May 2017. The options were issued to an employee of the Company. As there is a service condition associated with the options the expense is recognised on a straight-line basis over the service period.

No options expired during the year (2015: 3,500,000 options).

	CONSOLIDATED			
	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	No.	\$	No.	\$
Outstanding at the beginning of the year	1,500,000	0.10	3,500,000	0.20
Granted during the year	1,000,000	0.15	1,500,000	0.10
Exercised during the year	(300,000)	0.10	-	-
Expired during the year	-	-	(3,500,000)	0.20
Outstanding at the end of the year	2,200,000	0.12	3,500,000	0.20
Exercisable at the end of the year	1,200,000	0.10	1,500,000	0.10

	Options expiring 15/8/2018
Grant date share price	13 cents
Expected volatility	148%
Time to maturity	2 years
Dividend yield	0%
Risk-free interest rate	1.59%

*Performance rights*

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

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

The expense recognised during the year for the issue is \$294,210 (2015: \$nil).

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 9. SHARE BASED PAYMENTS (CONTINUED)

*Performance rights (continued)*

The following PRs were issued during the year:

Directors	Series No.1	Series No.2	Series No.3	Series No.4
Charles Murphy	750,000	750,000	1,500,000	1,500,000
Matthew Howard	750,000	750,000	1,500,000	1,500,000
	1,500,000	1,500,000	3,000,000	3,000,000

	Series No.1	Series No.2	Series No.3	Series No.4
Value per right (cents)	17.00	17.00	6.58	5.28

The weighted average remaining contractual life of PRs at 30 June 2016 was 14.50 months.

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

The inputs to the options valuation were:

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

The value of the PRs was calculated using the Binomial pricing method.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 10. TRADE AND OTHER PAYABLES

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Trade payables (i)	114,810	52,745
Accrued expenses	119,767	92,610
	<u>234,577</u>	<u>145,355</u>

- (i) Trade payables are non-interest bearing and are normally settled on 30 day terms with the exception of insurance premiums of \$15,374 (2015: \$15,368) which are payable in monthly instalments at a flat interest rate of 8.30%. The final instalment is due 13 April 2017.

## NOTE 11. REMUNERATION OF AUDITORS

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Amounts received & receivable by the auditor :		
Nexia Perth Audit Services Pty Ltd		
- an audit of the financial report of the Group	24,990	21,930
- other services	2,750	2,500
	<u>27,740</u>	<u>24,430</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 12. ISSUED CAPITAL

	2016	2015
	\$	\$
<b>Issued capital</b>		
Ordinary shares issued and fully paid	12,949,231	6,567,838

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.

	2016		2015	
	Number of shares	\$	Number of shares	\$
<b>Movement in ordinary shares on issue</b>				
At beginning of year	186,289,943	6,567,838	138,223,276	5,166,572
Shares issued for cash	55,656,511	6,400,422	48,066,667	1,442,000
Shares issued on the exercise of options	300,000	30,000	-	-
Share issue costs	-	(49,029)	-	(40,734)
At end of year	242,246,454	12,949,231	186,289,943	6,567,838

## NOTE 13. RESERVES

	CONSOLIDATED	
	2016	2015
	\$	\$
<b>Option Reserve</b>		
Balance at beginning of year	7,270	90,424
Issued during the year	304,796	7,270
Exercised during the year	(1,454)	-
Expired during the year	-	(90,424)
Balance at end of financial year	310,612	7,270

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 14. ACCUMULATED LOSSES

	CONSOLIDATED	
	2016	2015
	\$	\$
Movement in accumulated losses:		
Balance at beginning of year	(4,473,972)	(3,642,957)
Credit from option reserve on expiry of options	-	90,424
Credit from option reserve on exercise of options	1,454	-
Loss for the year	(1,637,199)	(921,439)
Balance at end of financial year	<u>(6,109,717)</u>	<u>(4,473,972)</u>

## NOTE 15. FINANCIAL INSTRUMENTS

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

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

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

	CONSOLIDATED	
	2016	2015
	\$	\$
<b>(a) Categories of financial instruments</b>		
<b>Financial assets</b>		
Cash and cash equivalents	<u>7,273,194</u>	<u>2,149,278</u>
<b>Financial liabilities</b>		
Trade and other payables	<u>234,577</u>	<u>145,355</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 15. FINANCIAL INSTRUMENTS (CONTINUED)

**(b) Interest rate risk**

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

*Profile*

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

	CONSOLIDATED			
	2016		2015	
	Carrying amount	Interest rate	Carrying amount	Interest rate
	\$	%	\$	%
<b>Variable rate instruments</b>				
Cash and bank balances	7,273,194	1.03	2,149,278	1.32

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015.

	Equity		Profit or loss	
	100bp increase	100bp decrease	100bp increase	100bp decrease
<b>30 June 2016: Consolidated</b>				
Variable rate instruments	72,732	(72,732)	72,732	(72,732)
<b>30 June 2015: Consolidated</b>				
Variable rate instruments	21,493	(21,493)	21,493	(21,493)

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

**(c) Net fair values**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 15. FINANCIAL INSTRUMENTS (CONTINUED)

**(d) Credit risk**

There are no significant concentrations of credit risk within the Group.

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:

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

<b>30 June 2015: Consolidated</b>	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
<i>Financial liabilities</i>	\$	\$	\$	\$	\$
Non-interest bearing	129,987	-	-	-	129,987
Interest bearing	1,708	3,415	10,245	-	15,368
	131,695	3,415	10,245	-	145,355

**(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, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Group funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating capital raisings as required.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 15. FINANCIAL INSTRUMENTS (CONTINUED)

**(g) Foreign currency risk management**

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

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

	Liabilities		Assets	
	2016	2015	2016	2015
<b>Consolidated</b>	\$	\$	\$	\$
New Zealand dollars	7,085	1,496	18,266	9,075

*Foreign currency sensitivity analysis*

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

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

	Increase		Decrease	
	2016	2015	2016	2015
	\$	\$	\$	\$
NZD impact				
Profit or loss (i)	1,119	150	(1,119)	(150)
Other equity	1,119	150	(1,119)	(150)

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 16. COMMITMENTS**

## a) Project development expenditure commitments

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

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

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Within one year	98,053	126,022
Later than one year but not later than 5 years	4,589,603	4,270,801
	4,687,656	4,396,823
b) Office lease commitments		
Within one year	51,545	51,545
Later than one year but not later than 5 years	51,545	103,090
	103,090	154,635

**NOTE 17. SEGMENT INFORMATION**

The Group is managed primarily on the basis of its exploration projects. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating tenements and permits where the tenements and permits are considered to form a single project. This is indicated by:

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

**Basis of accounting for purposes of reporting by operating segments***Accounting policies adopted*

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 17. SEGMENT INFORMATION (CONTINUED)**

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

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

*Segment liabilities*

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

*Unallocated items*

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 17. SEGMENT INFORMATION (CONTINUED)

	Metals and materials	Research & development	Unallocated (Corporate)	Total
Consolidated	\$	\$	\$	\$
<b>Year ended 30 June 2015:</b>				
Segment revenue	60	-	28,564	28,624
Segment result	(239,812)	(132,429)	(549,198)	(921,439)
Included within segment result:				
Depreciation	-	-	(3,444)	(3,444)
Interest income	60	-	28,564	28,624
Segment assets	78,909	124,830	2,042,752	2,246,491
Segment liabilities	5,087	3,875	136,393	145,355

## NOTE 18. RELATED PARTY DISCLOSURES

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

Name	Country of Incorporation	% Equity Interest		Investment \$	
		2016	2015	2016	2015
Maria Resources Pty Ltd (previously APEC Ventures Pty Ltd)	Australia	100	100	1	1
Strategic Materials Pty Ltd	Australia	100	100	1	1
Australian Advanced Materials Pty Ltd	Australia	100	100	1	1

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

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

Transactions with related entities:

Director related entities

Remuneration for Directors is paid to entities controlled by the Directors. Please refer to the Remuneration report in the Directors Report and Note 21 for more detail.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**
**NOTE 19. PARENT ENTITY INFORMATION**

As at, and throughout, the financial year ending 30 June 2016 the parent company of the Group was Strategic Elements Limited.

***Financial position of Parent entity at year end***

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets	7,120,694	2,034,171
Non-current assets	233,356	203,360
Total assets	<u>7,354,050</u>	<u>2,237,531</u>
<b>Liabilities</b>		
Current liabilities	203,924	136,395
Total liabilities	<u>203,924</u>	<u>136,395</u>
<b>Equity</b>		
Issued capital	12,949,231	6,567,838
Retained earnings	(6,109,717)	(4,473,972)
Reserves		
Share based payments	310,612	7,270
Total equity	<u>7,150,126</u>	<u>2,101,136</u>

***Financial performance of Parent entity for the year***

	<b>Year ended</b>	<b>Year ended</b>
	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Loss for the year	(1,637,199)	(955,111)
Other comprehensive income	-	-
Total comprehensive loss	<u>(1,637,199)</u>	<u>(955,111)</u>

**NOTE 20. CONTINGENT LIABILITIES**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 21. DIRECTORS' AND EXECUTIVES' DISCLOSURES

## (a) Details of Key Management Personnel

## (i) Directors

Seng Yap	Chairman (Non-executive)*
Charles Murphy	Managing Director & Acting Chairman**
Matthew Howard	Executive Director
Elliot Nicholls	Executive Director

\*Resigned 1 September 2015

\*\*Appointed 1 September 2015

## (b) Key management personnel compensation

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

	Year ended 30 June 2016	Year ended 30 June 2015
	\$	\$
Short term benefits	433,279	371,100
Equity benefits	294,210	-
Total	727,489	371,100

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 21. DIRECTORS' AND EXECUTIVES' DISCLOSURES (CONTINUED)

## (c) Option holdings of Key Management Personnel

30 June 2016	Balance at beginning of year	Granted as remuneration	Options exercised	Expired during the year	Balance at end of year	Vested as at end of year		
						Total	Exercisable	Not Exercisable
<b>Directors</b>								
Seng Yap*	-	-	-	-	-	-	-	-
Charles Murphy	-	-	-	-	-	-	-	-
Matthew Howard	-	-	-	-	-	-	-	-
Elliot Nicholls	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*resigned 1 September 2015

30 June 2015	Balance at beginning of year	Granted as remuneration	Options exercised	Expired during the year	Balance at end of year	Vested as at end of year		
						Total	Exercisable	Not Exercisable
<b>Directors</b>								
Seng Yap	3,500,000	-	-	(3,500,000)	-	-	-	-
Charles Murphy	-	-	-	-	-	-	-	-
Matthew Howard	-	-	-	-	-	-	-	-
Elliot Nicholls	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,500,000</b>	<b>-</b>	<b>-</b>	<b>(3,500,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## (d) Shareholdings of Key Management Personnel

*Ordinary shares held in Strategic Elements Limited (number)*

30 June 2016	Balance at beginning of year	Granted as remuneration	On exercise of options	Net change Other	Balance at end of year
<b>Directors</b>					
Seng Yap*	11,700,001	-	-	(11,700,001)	-
Charles Murphy	27,284,001	-	-	(5,443,487)	21,840,514
Matthew Howard	6,411,334	-	-	(856,142)	5,555,192
Elliot Nicholls	9,350,000	-	-	-	9,350,000
<b>Total</b>	<b>54,745,336</b>	<b>-</b>	<b>-</b>	<b>(17,999,630)</b>	<b>36,745,706</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 21. DIRECTORS' AND EXECUTIVES' DISCLOSURES (CONTINUED)

## (d) Shareholdings of Key Management Personnel (continued)

30 June 2015	Balance at beginning of year	Granted as remuneration	On exercise of options	Net change Other	Balance at end of year
<b>Directors</b>					
Seng Yap	11,700,001	-	-	-	11,700,001
Charles Murphy	27,284,001	-	-	-	27,284,001
Matthew Howard	6,078,000	-	-	333,334	6,411,334
Elliot Nicholls	9,350,000	-	-	-	9,350,000
<b>Total</b>	<b>54,412,002</b>	<b>-</b>	<b>-</b>	<b>333,334</b>	<b>54,745,336</b>

\*resigned 1 September 2015

## (e) Performance Rights holdings of Key Management Personnel

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

\*resigned 1 September 2015

30 June 2015	Balance at beginning of year	Granted as remuneration	Options exercised	Expired during the year	Balance at end of year	Vested as at end of year		
						Total	Exercisable	Not Exercisable
<b>Directors</b>								
Seng Yap	-	-	-	-	-	-	-	-
Charles Murphy	-	-	-	-	-	-	-	-
Matthew Howard	-	-	-	-	-	-	-	-
Elliot Nicholls	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTE 22.      EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to the balance date the Company issued 500,000 shares on the exercise of 500,000 options exercisable at 10 cents per share. 700,000 options, exercisable at 10 cents per share, also expired subsequent to the balance date.

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

## DIRECTORS' DECLARATION

1. In the opinion of the directors of Strategic Elements Limited (the 'Company'):
  - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
    - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 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 2016.

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



Charles Murphy  
Managing Director  
Dated this 3th day of August 2016

## **Independent auditor's report to the members of Strategic Elements Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Strategic Elements Limited, which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### **Nexia Perth Audit Services Pty Ltd**

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### **Independence**

In conducting our audit, 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 Strategic Elements Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### **Opinion**

In our opinion:

- (a) the financial report of Strategic Elements Limited is 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 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

### **Report on the remuneration report**

We have audited the remuneration report included of the directors' report for the year ended 30 June 2016. 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.

### **Opinion**

In our opinion, the remuneration report of Strategic Elements Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads "NPAS".

**Nexia Perth Audit Services Pty Ltd**

A handwritten signature in black ink that reads "PTC Klopper".

**PTC Klopper**

Director

Perth, 3 August 2016

## 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 27 July 2016.

### 1) Substantial shareholders

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

Holder	Number of fully paid ordinary shares	Percentage
Robinia Partners Pty Ltd	21,840,514	9.00%
<b>Total</b>	<b>21,840,514</b>	<b>9.00%</b>

### 2) Information on equity security classes

#### a) Ordinary Shares

242,746.454 fully paid ordinary shares are held by 2,850 shareholders. All issued shares carry one vote per share and carry the rights to dividends. 45 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	67	5,290
1,001 – 5,000	306	1,171,816
5,001 – 10,000	498	4,286,175
10,001 – 100,000	1,548	58,243,245
100,001 and over	431	179,039,928
<b>Total</b>	<b>2,850</b>	<b>242,746,454</b>

**ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)**

## b) Options

1,000,000 unlisted options are held by 1 individual option holders. Options do not carry the right to vote.

The number of option holders by size of holding:

<b>Options expiring 15 July 2018</b>		
<b>Exercisable at \$0.15</b>		
<b>(Unquoted)</b>		
	<b>Number of holders</b>	<b>Number of shares</b>
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	1	1,000,000
<b>Total</b>	<b>1</b>	<b>1,000,000</b>

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

<b>Class</b>	<b>Holders</b>	<b>Number</b>	<b>Expiry date</b>
Options exercisable at \$0.15	1	1,000,000	15 July 2018

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**ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)**
**3) Top 20 shareholders**

Twenty largest holders of quoted equity securities are:

<b>Fully paid ordinary shares</b>		
<b>Name</b>	<b>Number</b>	<b>Percentage</b>
ROBINIA PTNRS PL	21,840,514	9.00%
EMNET PL	9,350,000	3.85%
JACOBS NEIL PETER	6,050,544	2.49%
HOWARD FAM A/C	5,514,192	2.27%
CITICORP NOM PL	4,316,461	1.78%
STEVEN MURPHY ELECTRICAL	3,565,834	1.47%
FEAR GOD PL	3,100,000	1.28%
CHAN KUEN SENG	3,078,261	1.27%
BARNAO DAVID ANTHONY	2,901,357	1.20%
PARISI HLDGS PL	2,149,076	0.89%
KANG ANDREW	2,130,435	0.88%
COTTLE GEOFFREY MARK	1,955,435	0.81%
NICHOLLS JOHN + DENISE S	1,630,435	0.67%
CONNOR BRENDON GABRIEL	1,566,611	0.65%
DOUDMAN ARASH	1,500,000	0.62%
DAVID BARNAO FAM A	1,300,435	0.54%
SPEIJERS J M + R S	1,198,769	0.49%
MAK CARRIE LAI YAN	1,140,000	0.47%
YACOPETTI CHARLES PETER	1,130,435	0.47%
FIRTH MARK	1,118,435	0.46%
<b>TOTAL</b>	<b>76,537,229</b>	<b>31.56%</b>

**4) On-Market Buy Back**

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